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DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
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PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of HAWAIIAN ELECTRIC COMPANY, INC. Approval of Rates Increase and Revised Rate Schedules and Rules.	DOCKET NO. 2008-0083

DIVISION OF CONSUMER ADVOCACY'S HEARING EXHIBITS

Pursuant to Prehearing Conference Order filed on October 20, 2009, the Division of Consumer Advocacy submits its **HEARING EXHIBITS** in the above docketed matter.

DATED: Honolulu, Hawaii, October 22, 2009.

Respectfully submitted,

By Catherine P. Awakuni
CATHERINE P. AWAKUNI
Executive Director

DIVISION OF CONSUMER ADVOCACY

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STATE OF HAWAII
CONTRACT FOR SERVICES
BASED UPON
COMPETITIVE SEALED PROPOSALS

This Contract, executed on the respective dates indicated below, is effective March 3, 2009, between the PUBLIC UTILITIES COMMISSION, which is administratively attached to the DEPARTMENT OF BUDGET AND FINANCE, STATE OF HAWAII ("*Commission*"), by its CHAIRMAN (hereafter also referred to as the HEAD OF THE PURCHASING AGENCY or designee ("*HOPA*")), 465 South King Street, Room 103, Honolulu, Hawaii 96813, and SCIENCE APPLICATIONS INTERNATIONAL CORPORATION ("*Contractor*"), a corporation organized and established under the laws of the State of Delaware, with its principal place of business address at 3049 Ualena Street, Honolulu, HI 96819, and Federal Tax Identification No. 95-3630868.

RECITALS

A. The *Commission* desires to retain and engage the *Contractor* to provide the services described in this Contract, including all of its attachments, and the *Contractor* agrees to provide said services. The *Contractor* will serve as the third-party administrator for energy efficiency programs in the State of Hawaii as directed by the *Commission* pursuant to Part VII of Chapter 269, Hawaii Revised Statutes ("HRS").

B. The *Commission* issued a request for competitive sealed proposals under RFP-PUC-09-03 ("RFP"), attached to and made a part of this *Contract* as Attachment O. The *Commission* has received and reviewed proposals submitted in response to the RFP. The *Contractor* responded to the RFP by submitting a proposal dated November 10, 2008 ("*Proposal*"), which is made a part of this *Contract*.

C. The solicitation for proposals and the selection of the *Contractor* were made in accordance with section 103D-303, HRS, Hawaii Administrative Rules, Title 3, Department of Accounting and General Services, Subtitle 11 ("HAR"), Chapter 122, Subchapter 6, and applicable procedures established by the appropriate Chief Procurement Officer ("CPO").

D. The *Contractor* has been identified as the responsible and responsive offeror whose Proposal is the most advantageous for the *Commission*, taking into consideration price and the evaluation factors set forth in the request.

E. The *Commission* is authorized to enter into this Contract pursuant to HRS Chapter 269, Part VII.

AGREEMENT

NOW, THEREFORE, in consideration of the promises contained in this Contract, the *Commission* and the *Contractor* agree as follows:

1. Definitions. The following italicized and initially capitalized words and phrases shall have the following meanings in constructing this Contract:

A. ***Commission*** or ***PUC*** means the Hawaii State Public Utilities Commission, as defined under HRS § 269-2.

B. ***Consumer Advocate*** means the Hawaii State Division of Consumer Advocacy, Department of Commerce and Consumer Affairs, as defined under HRS § 269-52.

C. ***Contract*** means this *State* Contract for Services and all Attachments hereto, as all may be amended from time to time.

D. ***Contract Manager*** means the person or entity selected and retained by the *Commission*, to manage, monitor and enforce this *Contract* on behalf of and pursuant to the instructions of the *State*.

E. ***Contractor*** means *Science Applications International Corporation* or *SAIC*.

F. ***Contractor PBF Funds*** means the portion of the *PBF Funds* that are available to the *Contractor* to perform the *Work* under this *Agreement*. The *Contractor PBF Funds* for a calendar year are comprised of the total *PBF Funds* approved for collection (not including any true-up from over/under collections of the *PBF* from prior years) by the *Fiscal Agent* for that calendar year plus any *State*-approved carry over of unspent *PBF Funds* from prior calendar years less the following deductions:

- Monitoring and Evaluation costs;
- *Contract Manager* fees;
- *Fiscal Agent* fees;
- *Fiscal Agent* audit fees;

G. ***Customized Software*** means any computer software that is not readily available for purchase and that is modified, developed, and/or written by the *Contractor* or its subcontractor(s) specifically for the purpose of performing the *Work*.

H. ***Customer Energy Efficiency Incentives*** means program implementation costs that directly benefit a *Program* participant and which result in energy savings. They may include but are not limited to financial incentives or rebates to deliver energy efficiency products, projects, energy improvement services and practices, and equipment buy-downs to or for end-use electric customers

I. ***Fiscal Agent*** means the person or entity selected and retained by the *Commission* to receive the *PBF Funds* from utility companies, those funds having been paid to utility companies by electricity consumers in Hawaii for the provision of statewide efficiency services as directed by *Commission* order or rule (such services to be implemented by the *Contractor*), and to disburse those funds under the direction of the *Commission*.

J. ***HAR*** means Hawaii Administrative Rules.

K. ***HECO*** means Hawaiian Electric Company, Inc. HECO is a Hawaii corporation and a public utility as defined by HRS § 269-1. HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

L. ***HECO Companies*** or ***HECO Utilities*** means HECO, HELCO, and MECO.

M. ***HECO Companies' service territory*** means the islands of Oahu, Hawaii, Maui, Molokai and Lanai, which are serviced by the HECO Companies.

N. ***HELCO*** means Hawaii Electric Light Company, Inc. HELCO is a Hawaii corporation and a public utility as defined by HRS § 269-1. HELCO was initially organized under the laws of the Republic of Hawaii on or about December 5, 1895. HELCO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Hawaii in the State of Hawaii.

O. ***HRS*** means Hawaii Revised Statutes.

P. ***Market Actor*** means a person, business or organization that affects the market availability and implementation of energy efficient technologies, products, practices and designs, including, but not limited to, design professionals, contractors, retailers, suppliers, manufacturers, associations and institutions.

Q. ***MECO*** means Maui Electric Company, Ltd. MECO is a Hawaii corporation and a public utility as defined by HRS § 269-1. MECO was initially organized under the laws of the Territory of Hawaii on or about April 28, 1921. MECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Maui; the production, transmission, distribution, and sale of electricity on the island of Molokai, and the production, distribution, and sale of electricity on the island of Lanai.

R. ***Performance Incentives*** means the payment to the *Contractor* that is based on *Contractor* performance in achieving the *Commission's* objectives and successfully delivering the strategies and initiatives described in the *Scope of Work* and Attachment C.

S. ***PBF*** means the Public Benefits Fee, which is collected as a charge to electric utility customers for the support of energy efficiency programs pursuant to Chapter 269, Part VII, HRS (§§269-121-124).

T. ***PBF Funds*** means all funds collected via the *PBF*.

U. ***Program*** means Hawaii Energy Efficiency Program (HEEP), which includes the third-party administered energy efficiency programs in the HECO Companies' service territory, under HRS Chapter 269, Part VII.

V. ***Program Administrator*** means the third-party administrator of the energy efficiency programs in the HECO Companies' service territory that is selected by the Commission under HRS Chapter 269, Part VII.

W. ***Program Evaluator*** means the entity or entities to be selected by the *Commission* to perform independent Measurement and Verification functions for the *Program*.

X. ***Proposal*** means the bid dated November 10, 2008, submitted by the *Contractor* in response to the *State's* Request for Proposals No. RFP-PUC-09-03 and Appendices released September 18, 2008.

Y. ***RFP*** means the *State's* Request for Proposals No. RFP-PUC-09-03 and Appendices released September 18, 2008.

Z. ***State*** means the *State of Hawaii* including its agencies, departments, and boards.

AA. ***Summer Peak Demand*** means the sum across all measures of the energy savings occurring between the hours of 5pm and 9pm during the months of August through November divided by the number of hours in that period. Peak is based on units installed in each year, regardless of the actual date of installation.

BB. ***Technical Advisory Group*** or ***TAG*** means an advisory group made up of representatives from the *Program Administrator*, the Consumer Advocate, the HECO Companies, the *Contract Manager*, and other interested energy efficiency stakeholders as designated by the Commission Chairman. The Technical Advisory Group will advise the *Contract Manager* concerning evaluation plans for the portfolio of energy efficiency programs, review evaluation studies, review and provide input on Technical Reference Manual and Evaluation, Measurement, and Verification (EM&V) protocols used to measure and verify program impacts, and provide input on EM&V issues as needed.

CC. ***Technical Reference Manual*** or ***TRM*** means the TRM Master and the TRM Users' Manual which provide the technical description of all prescriptive and some custom energy efficiency measures.

DD. ***Work*** means the functions, duties, and activities set forth in the Scope of *Work* identified in Attachment A.

2. Scope of Services. The *Contractor* shall, in a proper and satisfactory manner as determined by the *Commission*, provide all the services set forth in the *RFP* and the *Proposal*, and as more particularly described in Attachment A Scope of Work, attached to and made a part of this *Contract*.

3. Compensation. The *Contractor* shall be compensated and reimbursed for Program Administration services and expenses performed under this *Contract* in a total amount not to exceed $11,791,365.00, including approved costs incurred and taxes, at the time and in the manner set forth in the *RFP* and *Contractor's Proposal*, and as more particularly described in Attachment B Compensation, Payment and Performance Provisions, attached to and made a part of this *Contract*. The *Contractor* will be separately reimbursed for actual payments made to *Program* participants strictly on cost pass through basis with no additional markup. The *Customer Energy Efficiency Incentives*, which are estimated to be $26,629,103.00, are not included in the Program Administration set forth above, but are in addition to the Program Administration budget. Therefore, the total budget for services performed and reimbursement for energy efficiency incentives is $38,420,468.00.

4. Time of Performance. The services required of the *Contractor* under this *Contract* shall be performed and completed as provided in Attachment K Time of Performance, attached to and made a part of this *Contract*.

5. Standards of Conduct Declaration. The Standards of Conduct Declaration of the *Contractor* is attached to and made a part of this *Contract* as Attachment M.

6. Other Terms and Conditions. General Conditions are attached to and made a part of this *Contract* as Attachment I. Special Conditions are attached to and made a part of this *Contract* as Attachment J. In the event of a conflict between the General Conditions and the Special Conditions, the Special Conditions shall control. In the event of a conflict among the documents, the order of precedence shall be as follows: (1) this *Contract*, including all attachments and any amendments (other than the *RFP* and the *Proposal*); (2) the *RFP*, including all attachments and addenda; and (3) the *Proposal*.

7. Notices. Any written notice required to be given by a party to this *Contract* shall be (a) delivered personally, or (b) sent by United States first class mail, postage prepaid. Notice to the *Commission* shall be sent to the HOPA'S address indicated in the Contract. Notice to the *Contractor* shall be sent to the *Contractor's* address indicated in the *Contract*. A notice shall be deemed to have been received three (3) days after mailing or at the time of actual receipt, whichever is earlier. The *Contractor* is responsible for notifying the *Commission* in writing of any change of address.

8. Entire Agreement. This *Contract* sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the *Commission* and the *Contractor* relative to this *Contract*. This *Contract* supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the *Commission* and the *Contractor* other than as set forth or as referred to herein. Accordingly, the entire *Contract* consists of the following:

9. Counterparts. This *Contract* may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

10. Attachments attached to and made a part of this *Contract*:

A. Scope of Services

B. Compensation, Payment, and Performance Provisions

C. Performance Incentive Mechanism

D. Calculation of Total Cap

E. Estimated Contractor Funds

F. Budget

G. List of Key Personnel

H. Distribution List for Reports and Other Information Sharing Documents

I. General Conditions

J. Special Conditions

K. Time of Performance

L. *Contractor's* Acknowledgement

M. *Contractor's* Standards of Conduct Declaration

N. Work Plan

O. Request for Proposals No. RFP-PUC-09-03 dated September 18, 2008 and Responses to Written Questions dated October 10, 2008

P. *Contractor's* Proposal dated November 10, 2008, as clarified by statements received on December 8, 2008 and incorporated by reference.

IN VIEW OF THE ABOVE, the parties execute this Contract by their signatures, on the dates below, to be effective as of the date first above written.

Commission

Carlito P. Caliboso
(Signature)

Carlito P. Caliboso
(Print Name)

Chairman
(Print Title)

March 10, 2009

Contractor

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION
(Name of Contractor)

Brenda J. Young
(Signature)

BRENDA J. YOUNG
(Print Name)

CONTRACT MANAGER *
(Print Title)

March 3, 2009

APPROVED AS TO FORM:

Randall S. Nishiyama

Deputy Attorney General

* Evidence of authority of the CONTRACTOR'S representative to sign this Contract for the CONTRACTOR must be attached.

ATTACHMENT A
SCOPE OF *WORK*

This Attachment provides the scope of work that the *Contractor* will perform. *Contractor* shall perform the following duties and functions established by the *Commission* in the manner described below. *Contractor* shall be subject to *Commission and Contract Manager* oversight and control in the performance of the duties and functions set forth in this Attachment.

Introduction

The *Contractor* shall exercise substantial responsibility and initiative to ensure that the following *State* energy efficiency policies and objectives are accomplished: (1) achieve the maximum magnitude of societal net benefits while acquiring comprehensive cost-effective electric efficiency savings; (2) respond appropriately to markets in order to increase the level of and comprehensiveness of energy efficiency services to ratepayers; (3) effectively capture potential "lost opportunity" markets; and (4) provide a standard level of service to all customer classes and in each of the *HECO Companies'* service territories.

The *Contractor* shall also interact with members of the public and numerous other organizations including *Commission* and other *State* Agencies, the Hawaii electric utilities, the Hawaii Legislature, and national, regional, and local energy efficiency organizations, as appropriate or as may be directed by *Commission.*

The specific duties to be performed by the *Contractor* are grouped into two major tasks and are described in detail in the remaining two sections of this Attachment: (1) Administration, and (2) Services and Initiatives. This Attachment includes references to specific portions of the *RFP*, (Attachment O) when appropriate.

I. Administration

The *Contractor* is responsible for the maintenance, ongoing development and monitoring of its own management and operational systems, including: (1) general project management; (2) budgeting; (3) financial management; (4) contract management; (5) dispute resolution; and (6) information technology system management and data collection. The *Contractor* shall maintain and enhance as it deems appropriate a management reporting system that enables its management to ensure proper control over its operational activities and strategic direction and facilitates the preparation of required reports and evaluation of its performance as the *Program Administrator.*

A. Budgeting

The *Contractor* shall develop, monitor and manage the overall budget for its operation. For the initial period beginning, March 3, 2009 through June 30, 2011, the *Contractor* shall manage the budget for two program years (as detailed in Attachment F) as a budget. Thereafter, each Program Year begins on July 1 and ends on June 30. In order to plan, manage and report on progress over the course of the *Contract*, the *Contractor* will also develop, and may revise over time, its best estimated forecasts of costs expected to be incurred in each quarter and each year of the contract. Such cost forecasts shall not be subject to *Commission* approval and will be submitted to the *Commission* only to provide the *Commission* with detailed information on the *Contractor's* progress and ongoing expected costs. As part of *Contractor*'s Annual Plan pursuant to Paragraph II.B, below, the *Contractor* shall submit the latest available costs for the current year and provide an updated forecast of future annual costs for the balance of the contract. Budget and forecast categories and the detail of breakdown shall be, at a minimum, the same as those used in the budget set forth in Attachment F.

B. Financial Management
The *Contractor* shall maintain the necessary budgeting, invoicing, expenditure approval, payroll, and financial accounting systems to review, approve, and track budgets, invoices and payments associated with carrying out this Scope of *Work*. The *Contractor* shall maintain financial and accounting records consistent with sections 2.2.2 of the *RFP* and with Generally Accepted Accounting Principles consistently applied.

C. Contract Management
The *Contractor* shall solicit, hire and/or contract with all necessary staff and subcontractors to effectively perform the *Work*. The *Contractor* shall maintain the administrative capability to manage these resources, ensure the completion of each task and sub-task effectively, and ensure that subcontractors are compensated in a timely manner.

D. Dispute Resolution Process
In conjunction with the *Contract Manager*, the *Contractor* shall maintain protocols acceptable to the Contract Manager for addressing and resolving complaints concerning performance of its responsibilities from customers and stakeholders such as electric utilities, subcontractors, and *Market Actors*.

E. Information Technology, Data Collection, Reporting
The *Contractor* shall maintain and, as it deems necessary or appropriate, enhance an information management system that meets the specifications, reporting and monitoring tasks outlined in sections 2.2.5 of the *RFP*. Information in this system shall include, but not be limited to, tracking data on customers, market actors, service activity, projects, measures, costs and savings. The system shall continue to have the ability to produce *ad hoc* reports for occasional information requests from the *Commission*, *Program Evaluator* and the *Contract Manager*.

1. **Manage Customer-Specific and Competitively-Sensitive Information**
The *Contractor* shall develop a Confidential Information Management System. The purpose of this system is to provide appropriate protections in the collection, processing, storage and retrieval of information that is customer-specific or could otherwise provide an unfair competitive advantage to an entity delivering services outside of the energy efficiency services approved by the *Commission* for *Program* implementation. The *Contractor* shall be responsible for managing this system. When appropriate the *Contractor* shall be responsible for providing customer-specific

and competitively-sensitive information to its employees, subcontractors, regulators, and the *HECO Companies*. Any subcontractors given such information shall also protect its confidentiality and shall agree in their contract(s) with the *Contractor* (1) to abide by the guidelines detailed in the Confidential Information Management System referenced above, and (2) not to provide any confidential information to affiliates not directly involved with *Program* activities. Detailed policy and procedures for maintaining and operating the Confidential Information Management System shall be submitted in writing to the *Contract Manager* for approval prior to implementation.

2. Data Collection

The *Contractor* shall collect and electronically compile data that are: (1) directly related to its program implementation activities; (2) easily obtainable by the *Contractor* as part of its routine implementation activities; and (3) needed to monitor, assess, and evaluate its performance, to report on its activities, to improve the design and delivery of services. Data from *HECO Utilities*, subcontractors and employees shall be collected and stored electronically in a consistent format in the following categories:

- Customer/Client Data;
- Customer Usage Data;
- Measures and Services Data;
- *Market Actor* Data;
- *HECO Utilities* Account Data; and
- Other Data for Market Assessment and Evaluation Purposes.

The *Contractor* shall make this information available to the *Commission*, and any independent evaluation firms under contract to the *Commission*, subject to the confidentiality procedures outlined in Paragraph I.E.1.

The *Contractor* shall coordinate, manage and secure all such data identified in the above list that it needs to obtain from the HECO Companies. If the *HECO Companies* are not responsive to a data request from the *Contractor* after a reasonable period of time, then the *Contractor* may ask the *Contract Manager* to resolve the dispute, or if unresolved, to bring the dispute to the attention of the *Commission*.

The parties agree that this paragraph is not intended to require the *Contractor* to secure data from the *HECO Companies* that fail to respond to such request for data.

3. *HECO Companies* Planning and Ratemaking Support Data

The *Contractor* shall continue to gather particular data elements for use by the *HECO Companies* for their own planning and ratemaking. The *Contractor* shall provide this data in the same content and frequency as detailed in section 2.2.6.d of the RFP in Attachment O. The information to be provided shall be limited to information created or maintained by the *Contractor* in the ordinary course of business, and the Contractor shall not be obligated to create information specifically for a utility.

4. **Data System Documentation/User's Manual**
The *Contractor* shall maintain, and update as necessary, the documentation of the *Customized Software* used for data tracking and reporting. The *Contractor* shall provide the *Contract Manager* and the *Commission* with any substantive changes to this data system documentation.

5. **Required Reports**
The *Contractor* shall prepare and submit Monthly, Quarterly and Annual Reports as described below. The *Contractor* shall work with the *Commission*, the *Program Evaluator* and *Contract Manager* to identify and assess changes that might better satisfy the needs of the *Commission*, the *Contract Manager*, the *Fiscal Agent*, the *Program Evaluator*, and the *Technical Advisory Group* and which may simplify or clarify the presentation of information, or lower the costs of reporting. Proposed changes shall be submitted to the *Contract Manager* for approval, who shall make a determination about such changes with advice from the *Commission* and, as appropriate, other interested parties.

   a. **Monthly Reports**
   The *Contractor* shall prepare and submit Monthly Reports to the *Commission*, the *Contract Manager*, the *Program Evaluator*, and the *Technical Advisory Group*. These reports shall include: (1) actual expenditures for administrative, information technology and service delivery costs compared to the annual component of the approved two-year budgets; (2) MWh savings estimated results; and (3) Summer Peak kW savings estimated results.

   b. **Quarterly Reports**
   The *Contractor* shall prepare and submit Quarterly Reports to the *Commission*, the *Contract Manager*, the *Program Evaluator*, and the *Technical Advisory Group*. Quarterly Reports shall be submitted for the following time periods:

   2009 Program Year:

   - July 1, 2009 through September 30, 2009
   - October 1, 2009 through December 31, 2009
   - January 1, 2010 through March 31, 2010

   2010 Program Year:

   - July 1, 2010 through September 30, 2010
   - October 1, 2010 through December 31, 2010
   - January 1, 2011 through March 31, 2011

Given that an Annual Report will be submitted after the end of each fiscal year, an Annual Report will be submitted for the periods ending June 30, 2010, and June 30, 2011 in lieu of a Quarterly Report.

Quarterly Reports shall include: (1) actual expenditures for administrative, information technology, and service delivery costs compared to the annual component of the approved two-year budgets; (2) committed customer incentive payments as evidenced by a signed incentive contract that specifies that a future incentive payment will be made to a *Program* customer for energy efficiency measures; (3) report of progress made towards achieving savings targets, and other agreed-upon indicators of performance; (4) a summary of activity highlights for the quarter; and (5) a summary of any significant changes or anticipated changes in implementation strategies and services.

Quarterly Reports shall also include information (when such information is made available to the *Contractor* by *Program* customers) on the degree of leveraging (including customer contributions and grant funds) achieved by the *Contractor*.

c. **Annual Reports**

The *Contractor* shall prepare and submit Annual Reports to the *Commission*, the *Contract Manager*, the *Program Evaluator*, the *Technical Advisory Group*, and the *HECO Companies*.

The *Contractor* shall submit an Annual Report for Program Years 2009 and 2010.

In order to meet the legislative deadline specified in Section 269-124(7), Hawaii Revised Statutes, to produce a verified and independently audited program summary before January 2, 2011, and every three years thereafter, an accelerated process for producing the Legislative Annual Report for Program Year 2009 shall be in accordance with the following schedule:

- The *Contractor*'s 2009 savings claim shall be submitted by September 1, 2010.
- The *Commission*, the *Contract Manager*, and the *Program Evaluator* will complete the savings verification process by September 30, 2010.
- The 2009 Legislative Annual Report that includes any changes made as a result of the savings verification process shall be submitted by November 1, 2010.

For the purposes of determining Performance Incentives to be paid to *Contractor*, the timeline referenced in Attachment C, Section III-A shall be followed.

Annual Reports shall include: (1) actual expenditures for administrative, information technology and service delivery costs compared to the annual component of the approved two-year budgets; (2) committed customer incentive payments as evidenced by a signed incentive contract that specifies that a future incentive payment will be made to a *Program* customer for energy efficiency measures; (3) a summary of progress and highlights for the year, including any significant changes in strategies or services; (4) report of progress toward achieving savings targets, and other agreed-upon indicators of performance; and (5) the annual verified savings data.

Annual Reports shall also include information (when such information is made available to the *Contractor* by *Program* customers) on the degree of leveraging (such as customer contributions and grant funds) achieved by the *Contractor*.

In addition to the above, the *Contractor* shall publish and distribute materials that summarize annual report results for public distribution. The format of these materials shall be as mutually agreed-upon by the *Contractor*, and the *Contract Manager*, in consultation with the *Commission*.

d. Reporting by Sector

For the purposes of the required reporting as detailed in this section the *Business Sector* and the *Residential Sector* are defined as follows:

Business Sector

Business New Construction

Existing Business

- Commercial and Industrial Retrofit
- Commercial and Industrial Equipment Replacement

Residential Sector

Retail Efficient Products (rebates)

Residential New Construction

- Single Family New Construction
- Multifamily New Construction

Existing Homes

- Residential Retrofit
- Multifamily Retrofit

6. Information Requests

The *Contractor* shall respond in a mutually agreed upon time frame and complete manner to any information requests regarding budgets, expenditures, savings, and activities submitted by the *Commission*, the *Contract Manager*, the *Fiscal Agent*, the *Program Evaluator*, and to reasonable requests from the Chairperson of the *Technical Advisory Group*.

The *Contractor* shall also respond in a mutually agreed upon time frame and complete manner to any information requests submitted by members of the Hawaii Legislature or legislative staff, including providing legislative testimony on *Program*-related activities or energy issues when requested. The *Contractor* may provide legislative testimony on energy efficiency issues as the *PBF Administrator*. It is anticipated that the *Contractor* may also provide legislative testimony on energy efficiency and other issues in its capacity as *SAIC*. In order to prevent confusion regarding whether legislative testimony is being presented on behalf of the *PBF Administrator* or on behalf of *SAIC*, the parties agree to the following guidelines:

Whenever the *Contractor* is requested to provide legislative testimony in its capacity as the *PBF Administrator* it shall notify the *Contract Manager*. This notification shall include the name of the Legislator or Legislative Committee requesting the testimony, the date and time the testimony is scheduled, and the specific topic to be discussed. Prior to the hearing, the *Contractor* shall provide the *Commission* and the *Contract Manager* with a copy of any written materials specifically developed for, and to be distributed at, any appearance;

Any person testifying at the legislature on behalf of *SAIC* or the *PBF Administrator* shall state on the record at the beginning of his/her testimony which entity he/she is representing;

Any person testifying at the legislature on behalf of the *PBF Administrator* or SAIC shall not provide testimony that would, in the reasonable judgment of the *Contract Manager*, diminish the *Contractor's* effectiveness as the *PBF Administrator*.

When providing a written response to a legislative inquiry, the *Contractor* shall provide the *Commission* and the *Contract Manager* with a copy of the response.

II. Services and Initiatives

The *Contractor* shall manage, oversee, implement, and modify as necessary a range of energy efficiency service offerings and activities to effectively operate the *Program:* (a) as provided for in sections Two and Three of the *RFP* and in the *Response*; and (b) as further specified in this *Contract*, including the specific performance goals specified in Attachment C.

A. Markets, Services and Initiatives

The *Commission*-established primary functions for the use of *PBF Funds* is to continue to provide services and initiatives throughout the HECO Companies' territory that address the "Core Program" markets. In fulfilling this function, *Contractor* shall continue to provide *Program* services consistent with the minimum performance standards such that the portfolio Total Resource Cost benefit ratio is greater than one in each Program Year. Program equity should be achieved as described in Attachment C. – Performance Incentive Mechanism.

1. **Core Services**

The *Response* set forth "Core Programs" to be implemented by the *Program Administrator*:

- Commercial and Industrial Programs
- Residential Programs
- Renewable Energy Program
- A Low Income/Hard to Reach Program
- Program Additions and Innovative Strategies

Throughout the term of this *Contract*, the *Contractor* will implement energy efficiency services and activities that address all of these "Core Program" markets. Future changes to the *Contractor's* organization of markets for service delivery purposes will not affect the requirement that the *Contractor* continue to serve the above "Core Program" markets, unless otherwise agreed to by the Commission.

At the start of this *Contract* the *Contractor* will address all the above "Core Program" markets with the following market services and initiatives, as further delineated in Section 2 and/or Appendix A of the *Response*:

Commercial and Industrial Programs

1. Commercial and Industrial Energy Efficiency (CIEE) Prescriptive
2. Commercial and Industrial New Construction (CINC)
3. Commercial and Industrial Customized Rebate (CICR)

Residential Programs

1. Residential Water Heater Program (REWH)
2. Residential New Construction (RNC)
3. Energy Solutions for the Home (ESH)

Renewable Energy Program

1. Photovoltaic Rebate Program

Low Income/Hard to Reach Program

1. Residential Low Income Program
2. Renters of Individually Metered Housing Units
3. Master-Metered Low-Rise, Multi-Family Housing

Program Additions and Innovative Strategies

1. Commercial Retro-Commissioning
2. Home Audit and Tune-Up
3. Residential and Small Business Low Interest Financing
4. Photovoltaic Rebate Program
5. Green Buildings Programs
6. Community Pilot Project
7. Custom Project RFP Program

8. Service Buy-Down Program
9. Performance Contract Buy-Down Program
10. Other Program additions as may be specifically proposed by *Contractor* and approved by the *Commission*

As part of these services and initiatives, the *Contractor* may implement certain major innovations identified in the *Response*, specifically including:

1. **Commercial Retro-Commissioning.** *Contractor* shall design and deliver a retro-commissioning program in the first year through which trained HVAC contractors will provide tune-ups and offer low-cost upgrades to systems to improve the overall operating efficiency of energy using systems in a variety of commercial building types.

2. **Home Audit and Tune-Up.** *Contractor* may ultimately offer the proposed audit component of the current residential programs as a stand-alone offering. The intent of the program would be to provide homeowners with the holistic information that they need to make decisions and prioritize energy capital improvements that impact home energy use.

3. **Residential and Small Business Low Interest Financing.** As described in the *Proposal*, the *Contractor* will explore low-interest financing to help homeowners finance energy improvements and renewable energy installations, potentially through its partnerships with Bostonia and other financial institutions.

4. **Photovoltaic Rebate Program.** The PV Rebate program will be designed and analyzed for inclusion with the *Program* with a goal of having a full program available during Program Year 2011.

5. **Green Buildings Programs.** *Contractor* shall include green and sustainable design features into its new construction programs for both residential and commercial buildings.

6. **Community Pilot Project.** As described in the *Response*, this program will provide an innovative approach to program delivery and outreach by engaging entire communities in neighborhood energy efficiency.

7. **Custom Project RFP Program.** *Contractor* shall solicit special and unique opportunities that do not readily fall with the scope of other programs.

8. **Service Buy-Down Program** to provide incentives that reduce the cost of energy efficiency services such as air-conditioner tune-ups, compressed air leak surveys, etc.

9. **Performance Contract Buy-Down Program** to provide incentives to

encourage the participation of third-parties in the implementation of energy projects on a savings-based performance contract.

The *Contractor* will continue to make enhancements to market strategies, offerings and initiatives based on new information, new opportunities, and the lessons of experience. The *Contractor* shall inform the *Contract Manager* and the *Commission* of any substantive changes to services and initiatives, including a description of the change and the proposed effective date of the change.

2. **Geographic and Customer Equity**
Pursuant to budget estimates provided in the *Response*, Contractor shall allocate *Program* incentives across the HECO, HELCO and MECO utility service territories in an equitable fashion with a goal of providing net resource benefits commensurate with contributions to the PBF from each Island or utility service territory as described further in Section III.G of Attachment C.

It is expected that *Contractor*'s geographically-targeted activities may include expansions of, or enhancements to, services and initiatives offered statewide, as well as new services and initiatives offered only in the designated areas. It is anticipated that the enhanced or additional services offered by *Contractor* may differ among areas.

Successful implementation of geographic targeting will require increased coordination between *Contractor* and affected utilities. *Contractor* shall provide an estimate of the amount of energy efficiency savings that can be achieved in each Island that the affected utilities can use in their planning efforts. In addition, *Contractor* shall work with the electric utilities and the *Program Evaluator* to ensure the collection of appropriate information necessary to adequately evaluate the geographic targeting efforts.

In addition to geographic equity described above, *Contractor* shall design and implement programs such that program benefits accrue to each customer class relative to its contribution to the *PBF*.

B. Annual Plan
The *Contractor* shall prepare and submit an Annual Plan for Program Year 2009 by May 1, 2009 and 2 months prior to each subsequent Program Year. However, the *Contractor* shall not be required to prepare an Annual Plan for subsequent Program Years if the *Contract* is not renewed as provided for in Attachment K of this *Contract*.

In this Plan, the *Contractor* shall summarize market intervention strategies, service offerings, markets initiatives and other planned implementation activities for the year or years covered by the Plan. These components shall be presented as part of an integrated market strategy for each of the two primary market sectors: Business and Residential. These plans shall be developed in consultation with the *Program Evaluator* and the

Technical Advisory Group. In developing these Annual Plans, the *Contractor* shall also make full use of the following information:

- Reports from the *Program* market assessment and evaluation activities undertaken by the *Program Evaluator*;
- The *Contractor*'s formal Quality Assurance system (including participant satisfaction/feedback records);
- Feedback from subcontractors;
- Ongoing, informal feedback from individual participants;
- Ongoing solicited and unsolicited input from business, professional and trade associations, trade allies, and other groups with which the *Contractor* interacts over the year; and
- The *Contractor's* knowledge of regional and national information regarding energy efficiency technologies and opportunities, program experience and evaluation results.

C. Manage *Program* Staff and Subcontractors

The *Contractor* shall solicit, select, hire and oversee employees and subcontractors to perform the *Work*, and develop methods for managing their performance and compensation. The *Contractor* shall strive to bring in industry-specific and technology-specific specialized expertise on an as-needed basis to provide the appropriate level of energy efficiency technical assistance to *Program* business customers. The *Contractor* shall review, approve if appropriate, and pay subcontractor and *Program* expenses in a timely manner.

D. Quality Assurance

The *Contractor* shall maintain quality assurance standards and procedures, to be set forth by the *Contractor* in a written Quality Assurance Plan, copies of which shall be provided to the *Commission*, the *Contract Manager* and the *Program Evaluator*. The *Contractor* shall ensure that both direct employees and subcontractors apply the quality assurance standards and methods set forth in the Quality Assurance Plan. Any substantive changes to the Quality Assurance Plan shall be provided to the *Commission*, the *Contract Manager* and the *Program Evaluator*. The Quality Assurance Plan shall include the dates for submission of Quality Assurance Reports.

E. Coordinate With Other Energy Efficiency Activities

The *Contractor* shall coordinate its *Program* activities with those of state, regional and national energy efficiency efforts, including the U.S. Department of Energy/ Environmental Protection Agency Energy Star Program. Other state, regional or national initiatives or organizations may emerge in the future; the *Contractor* shall be expected to evaluate the potential benefits of those efforts and coordinate with and participate in them in a manner that is consistent with the *Program*'s mission and the *State*'s policy objectives for energy efficiency.

F. Coordinate With *HECO Companies*

The *Contractor* shall coordinate on energy efficiency related programs implemented by *HECO Companies* on their own behalf (e.g., direct load control programs provided by an electric utility in its own service territory, or geographically-targeted efforts as the *Commission* may determine are necessary to ensure least-cost planning objectives are carried out.) The *Contractor* shall also coordinate with *HECO Companies* to determine whether power quality and power factor may be affected in situations in which the application of programs or program technologies might have a significant material impact on the integrity of a distribution or transmission utility's transmission and distribution system or a customer's facility. If problems are identified, the *Contractor* shall cooperate with the affected utility or customer or both to resolve the problem.

G. Working With and Through Hawaii Product and Service Providers

To both achieve resource acquisition and accomplish the *Commission's* market transformation goals, the *Contractor* shall work with and through Hawaii providers of efficiency-related products and services, including design professionals (architects, engineers and designers), energy service providers, contractors, retailers, distributors, suppliers and manufacturers. The *Contractor* shall strive to affect critical decision points in the supply chain that impact energy efficiency decisions in the marketplace by providing targeted, strategic support to these *Market Actors*, including, but not limited to:

- Training and education to build efficiency-related skills and knowledge;
- Project-specific technical assistance;
- Provision of software, design guides, manuals and other technical resources;
- Promotion to consumers of the products and services offered by these providers; and
- Financial incentives to these providers to overcome specific market barriers.

In carrying out this work the *Contractor* shall seek to expand the availability of energy efficiency products and services available from Hawaii providers and seek to increase the standard-practice levels of efficiency in these products and services.

H. Installation of Energy Efficiency Measures

The *Contractor* shall promote, utilize and support the development of the broad network of Hawaii businesses to provide for the installation of energy efficiency measures. The *Contractor* will rely on this network of building, electrical, mechanical, HVAC, and other contractors to provide and install energy efficiency measures to the maximum extent feasible. The *Contractor*'s employees shall only engage in the direct provision of efficiency measures to *Program* customers under certain circumstances, as described further below and in Item O.

The circumstances where it may be appropriate for the *Contractor*'s employees to directly provide or install efficiency measures are limited situations where relying on other providers would not be feasible or as cost-effective. This can occur when other providers do not or can not provide certain services or where there are critical cost savings by providing direct installation of certain measures through concurrent delivery with other program services provided by the *Contractor*. For example, the *Contractor*'s employees may provide installation of directly installed screw-in compact fluorescent bulbs and other low-cost measures in both single family homes and multifamily buildings. Such minor measure installations may not be cost-effective to deliver as a stand-alone service by an independent business, but can be cost-effective when installed by the *Contractor*'s employees while they were already on-site performing other *Program*-related services (e.g. inspections, customer service, etc.). Such direct installation of energy efficiency measures by the *Contractor*'s employees shall not exceed, without prior *Commission* approval, 10% of its total energy efficiency incentive budget.

For the purposes of this clause, all *Program* subcontractors, such as the Hawaii low-income weatherization agencies that are providing *Program* services (including installation of measures) to low income households under subcontract with the *Contractor*, shall be considered to be independent businesses, not subject to the limitations on the *Contractor* contained in this clause.

I. Consumer Marketing, Public Information, and Education

As detailed in Section 6 of the *Response*, the *Contractor* shall implement marketing, public education and consumer information activities as part of a strategy to (1) promote customer participation in and market awareness of *Program* services, (2) increase consumer awareness and understanding of the benefits of energy efficiency, (3) increase consumer demand for energy efficient products and services, and (4) affect consumer decision-making in consumer-driven energy efficiency choices. At a minimum, the *Contractor* will provide: (1) a toll-free number; (2) a web page describing services available to customers; (3) effective customer response and referral procedures; and (4) a system for tracking, addressing and resolving customer complaints promptly.

The *Contractor* shall also develop and implement energy education and technical training services and initiatives, including cooperative activities with Hawaii educational institutions, vocational training, and continuing education.

All marketing materials shall contain a reference to its funding source as Hawaii Ratepayer funds, specifically the following or other similar language as approved by the *Contract Manager*:

> *Hawaii consumers are not obligated to purchase any full-fee service or other service not funded by this program. This program is funded by Hawaii utility ratepayers under the auspices of the Hawaii Public Utilities Commission.*

J. Develop Independent Funding Sources

The *Contractor* shall, to the best of its ability, develop and facilitate the development of, independent energy efficiency funding mechanisms that leverage non-*Program* funds (such as grant and federal funds). The *Contractor* shall develop and implement mechanisms to help overcome lack of customer access to financing for efficiency investments so that customer contributions to measure costs can be maximized consistent with the *Commission*'s principles of sound program design.

K. Cost-Effectiveness Screening

When assessing the cost-effectiveness of efficiency measures, the *Contractor* shall utilize the current Total Resource Cost Test as approved by the *Commission*. The *Contractor* shall use statewide cost-effectiveness screening tools provided by the *Commission* in its planning and implementation activities.

The *Contractor* shall keep current documentation on all measure and program assumptions. Changes to existing measure characterizations and program assumptions, and all assumptions for new measures and programs, shall be coordinated with the *Contract Administrator*. All changes shall be documented in the *Technical Reference Manual*, including the basis for the new assumption. The *Contractor* shall provide the *Technical Reference Manual* to the *Commission, Consumer Advocate* and the *Contract Manager, six (6) months after the Contract start date and annually thereafter*. The *Contractor* shall provide on an ongoing basis any substantive changes in the *TRM* to the *Commission, Consumer Advocate* and the *Contract Manager*.

L. Support for Resource Planning, Market Assessment and Evaluation Activities

The *Contractor* has primary responsibility, unless otherwise directed by the *Commission*, for determining whether and to what extent it will collect, compile, and assess information on: (1) the characteristics and current status of markets targeted by current strategies and markets that are potential targets for new strategies and service offerings; and (2) new technologies and market intervention strategies. This information may include changes or expected changes in these markets, opportunities for emerging energy efficiency technologies and practices, and the status and progress of *PBF*-funded programs in capturing the potential for cost-effective energy savings. The *Contractor*'s responsibilities with respect to collecting information related to market transformation effects shall be limited to data about its efforts (e.g., the *Contractor* will collect information about its installations, but is not responsible, for example, for collecting information about awareness of new energy efficient technologies among Hawaii residents).

The *Contractor* shall provide data and information collected under this Paragraph and Paragraph I.E.2 of this Attachment to support the *Commission*'s demand-side management resource planning and evaluation activities, in particular: (1) the *Commission*'s obligation to conduct *Program* evaluation; and (2) the *Commission*'s evaluation of the *Contractor*'s performance, market conditions, and available demand-side management potential. The *Contractor* shall also cooperate to the best of its ability and within its budget constraints in the identification and prioritization of information needs, the exchange of information, and the timing of *Work* products with the *Commission*, the *Contract Manager*, and *Program Evaluator* staff as necessary to effectuate strategic planning, multi-year program planning and budgeting, market assessment, and program evaluation.

M. Applied Research, Development and Demonstration
Contractor may, at its own discretion and in coordination with the *Commission*, conduct such applied research, development and demonstration efforts as it deems appropriate to improve its performance and effectiveness in attaining the *Commission*'s objectives for the *Program*, in the current and/or subsequent contract periods.

N. *HECO Companies*' Utility Planning
The *HECO Companies* may request the services of the *Program* in certain cases for implementation of their obligations for energy efficiency services, including particular strategic direct load control programs. In the event of such a request the *Contractor* would be required to enter a bid, and, if selected, act as a contractor directly to the electric utility to deliver services provided such efforts will not substantially detract from *Contractor*'s ability to deliver its core services pursuant to this *Contract*. The *Contractor* shall receive compensation directly from the requesting utility for the development of its proposal to perform these services, and separate compensation from utilities for any services so provided under the terms of such contracts.

Any disputes between the *Contractor* and any electric utility regarding utility planning as detailed in this paragraph shall be mediated by the *Contract Manager*. If the *Contract Manager* is not able to assist in the successful settlement of such a dispute, then the dispute shall be submitted to the *Commission* for a final and binding decision. The *Contractor* is hereby required to ensure that any such contract between the *Contractor* and the electric utility shall provide for such dispute resolution by the *Commission*.

O. Participation in *Commission* Proceedings Implementing any Changes to the *Program*
Contractor shall provide reasonable support and input to the *Commission* in *Commission* proceedings implementing any changes to the *Program*. This support and input may include, but is not necessarily limited to, providing written comments on the effects of issues and options under consideration on the *Program*'s operations, providing data from the *Program*'s IT system, developing analytical tools based on *Contractor*'s experience delivering energy efficiency services, and responding to filings made by other participants in the proceedings.

If the *Commission* would like *Contractor* to provide a significant amount of support, the *Commission* will discuss with *Contractor* the effects of such a request on *Contractor*'s ability to perform its other duties under this *Contract*.

P. Transition
If the *Program Administrator* role is terminated or transferred to another entity on any future date, the *Contractor* shall use best efforts to cooperate in all reasonable ways with, and assist, any such transition process so as to best effectuate the transition. This obligation shall include, without limitation, the sharing and transfer of data, and the

transfer, via licensing agreement, of *Customized Software* in accordance with Attachment J – Special Conditions, paragraph 25.

As requested by the *Commission*, the *Contractor* shall provide any information collected in its ordinary course of business for the *Commission's* use in developing future request for proposals for *Program* services or for use in determining the amount of the *PBF*.

Q. *Work* to be Performed After June 30, 2013.

The only *Work* that the *Contractor* will perform after June 30, 2013 shall be:

- The production of the monthly report for Program Year 2012 (as described in Paragraph I.E.6.a, above);
- The production of the 2012 savings claim (as described in Paragraph V.A.1 of Attachment C);
- The 2012 savings verification (as described in Paragraph V.A.1 of Attachment C);
- The production of the 2012 Annual Report (as described in Paragraph I.E.6.c, above); and
- Transition assistance if the *Contractor* is not chosen to continue to operate the *Program* after June 30, 2013 (as described in Paragraph II.Q, above).

ATTACHMENT B
COMPENSATION, PAYMENT AND PERFORMANCE PROVISIONS
2009-2010 Program Years

Contractor shall be compensated by the State through the *Commission* for satisfactory performance of this *Contract* as follows:

1. **Total Compensation**
   The total compensation amount for all eligible costs, expenses and performance incentives under this *Contract* may not exceed the maximum amount set forth in Paragraph 3 of the *Contract for Services* section of this *Contract* with the following exception:

   Should additional funding become available through federal, state or other sources, or if the *Commission* or *Program Administrator* is required to perform additional programs or functions by changes in federal or state law in areas currently covered by HRS Chapter 269, Part VII, the *Commission* and *Contractor* may, by mutual agreement, modify this *Contract* to accommodate those changes in requirements, funding, or both. Such modifications may include necessary changes to the scope of work (Attachment A), compensation (Attachment B), performance incentives (Attachment C), the budget (Attachment F), and other portions as agreed upon by the *Commission* and the *Contractor*. Any modification of the *Contract* under this clause will be subject to the modification provisions in the *General Conditions* (Attachment I, paragraph 19), and *Special Conditions* (Attachment J, paragraphs 15, 16, and 17) of this *Contract*.

   Should carry over funds be available and approved for the subsequent program year, the amount of compensation will be increased accordingly.

   For the period beginning March 3, 2009 through June 30, 2011 it is agreed that the *Contractor* will manage the budget for this *Contract* as a single budget for two program years, plus a transition period. However, in any single calendar year, the *Contractor* shall not actually be paid more then the total *Contractor PBF Funds* available for that year.

   For the period beginning March 3, 2009 through June 30, 2011 this *Contract* shall include a budget sub-divided into the following categories: Business; Residential; General Administration (as defined in Paragraph 5 below), Information Technology and *Customer Energy Efficiency Incentives.*

   Any *PBF Funds* not expended during a fiscal year may be carried over to the subsequent year of this *Contract* pursuant to the terms of Paragraph 9 of this Attachment.

2. **Eligible Costs and Expenses**
   (a) The *Commission* will pay *Contractor* on a "time and materials" basis for labor expended and costs and expenses incurred, as hereinafter described. *Contractor* will use good faith efforts to complete the *Work* within the estimated price ("Estimated Price") set forth in the Total Compensation limitation detailed in Paragraph 3 of the

Contract for Services section of this *Contract*, but does not guarantee that the *Work* can be delivered within the Estimated Price.

(b) The *Commission* shall pay to *Contractor* for labor expended in performing the *Work* an amount computed by multiplying the applicable hourly billing rates set forth for key personnel and other staff below and in Exhibits 4-2 and 4.9 of the *Proposal* by the number of hours worked. Fractional parts of an hour shall be payable on a prorated basis.

Name	Position	2009	2010	Hourly Rate
Ray Sterling	Program Manager	100%	100%	$175
John Nicol	Deputy Program Manager	100%	100%	$175
Tom Gilkin	Design Manager	15%	5%	$180
Liz Donelli	Design Lead	20%	10%	$125
Tom Jensen	IT Manager	7%	3%	$175

Labor Category	Commercial
Tech / Admin I	$ 45.00
Tech / Admin II	$ 55.00
Engineer / Analyst I	$ 65.00
Engineer / Analyst II	$ 75.00
Engineer / Analyst III	$ 85.00
Engineer / Analyst IV	$ 95.00
Engineer / Analyst V	$ 105.00
Sr. Engineer / Analyst I	$ 115.00
Sr. Engineer / Analyst II	$ 125.00
Sr. Engineer / Analyst III	$ 135.00
Sr. Engineer / Analyst IV	$ 145.00
Sr. Engineer / Analyst V	$ 160.00
Principal Engineer / Analyst I	$ 175.00
Principal Engineer / Analyst II	$ 190.00
Principal Engineer / Analyst III	$ 210.00
Principal Engineer / Analyst IV	$ 230.00
Principal Engineer / Analyst V	$ 250.00

(c) In addition to paying for labor expended, the *Commission* shall reimburse *Contractor* for the cost of all goods and materials purchased exclusively for use in performing the *Work*, as well as for reasonable travel expenses and miscellaneous out-of-pocket expenses incurred in performing the *Work*. These other direct costs will be billed at actual cost plus a 10% material handling fee.

(d) The *Commission* shall have no obligation to pay *Contractor* more than the Estimated Price. *Contractor* shall have no obligation to provide labor or incur costs or expenses having a combined value more than the Estimated Price, even if the Services have not been completed or the Deliverables delivered, or the results desired by

Commission have not been achieved. The parties may, by mutual written agreement, increase the Estimated Price in accordance with Paragraphs 1 and 9.

Failure of the *Fiscal Agent* to pay an approved *Contractor* invoice on a timely basis due to the lack of available funds shall not constitute an acceptable basis on which the *Contractor* may terminate this *Contract*; however, a material failure of this type may (if of such magnitude and duration as to impede or prevent expected operations) constitute grounds for modification or reduction of *Contractor*'s energy efficiency activities and obligations, including performance goals (but only to the extent directly required by such delay or failure of payment).

Notwithstanding the above, all eligible costs, expenses and fees paid to the *Contractor* are subject to the Total Compensation limitation detailed in Paragraph 3 of the *Contract for Services section* of this *Contract*.

Except as noted under Item 1 above, if *Commission* action or inaction results in non-receipt of payment to *Contractor* for the total amount of the invoice within thirty (30) days of such invoice, *Contractor* is entitled to interest from the *Commission* on the principal amount remaining unpaid at a rate equal to the prime rate for each calendar quarter plus two per cent, commencing on the thirtieth day following receipt of the statement and ending on the date of the check. As used in this subsection, "prime rate" means the prime rate as posted in the Wall Street Journal on the first business day of the month preceding the calendar quarter.

3. **Limitation on Recovery of General Administrative Costs**
General Administrative Costs shall include, but not be limited to, the following tasks: budgeting and financial management; contract management; data collection and reporting; and support for resource planning and internal program evaluation activities. Administrative costs associated with serving an individual core market shall be included in the budget allocation for that core market and are not considered General Administrative Costs for the purposes of this paragraph.

For the period beginning March 3, 2009 through June 30, 2011, compensation for such General Administrative Costs identified in Attachment F, shall not exceed $2,869,864 unless *Contractor* is granted prior written approval from the *Commission* to exceed this limit.

4. **Limitation on Recovery of Information Technology Costs**
The *Contractor* shall provide the information technology services as set forth in the *Work*. For the period beginning March 3, 2009 through June 30, 2011 compensation for such information technology costs identified in Attachment F shall not exceed $278,238 unless *Contractor* is granted prior written approval from the *Commission* to exceed this limit.

5. ***Contractor* Contribution To Transition Costs**
During the initial "ramp up" period beginning March 3, 2009 through June 30, 2009, *Contractor* is providing a start-up cost contribution for transition costs in the amount of $200,000. It is anticipated that four monthly invoices will be submitted during this period and therefore $50,000 will deducted from the total amount invoiced as a non-payable cost contribution.

6. **Performance Incentive Funding**
The estimated amount for the period beginning March 3, 2009 through June 30, 2011 available for the payment of Performance Incentives is $ 1,666,000.

During the 12-month 2009 and 2010 Program Years from July 1, 2009 through June 30, 2010, and from July 1, 2010 through June 30, 2011, *Contractor* has offered $700,000 per year on a pay-for-performance basis. Therefore, during these twelve (12) month periods each monthly invoice will withhold $58,333 to be earned by *Contractor* for performance as set forth in Attachment C – Performance Measures.

7. **Customer Energy Efficiency Incentives**
The estimated amount for the period beginning March 3, 2009 through June 30, 2011 available for the *Customer Energy Efficiency Incentives* is $ 26,629,103. Reimbursement for *Customer Energy Efficiency Incentives* funds disbursed to *Program* participants shall be separate and apart from the funding for program administration. These *Customer Energy Efficiency Incentives* payments will be invoiced to the *Commission* after proper payment to the *Program* participants through the Program (strictly on a pass through basis without markup).

The *Contractor* may submit invoices for individual *Customer Energy Efficiency Incentives* equal to or greater than $300,000 at any time. When such invoices are submitted the same invoice review, approval and payment process as detailed in the two sections below shall apply. All other invoices for individual Customer Energy Efficiency Incentives shall be submitted in accordance with the following section 8.

8. **Invoice Requirements**
The *Contractor* shall submit monthly invoices of eligible costs and expenses, and *Customer Energy Efficiency Incentives* for payment by the 25th day of the month, or the next business day if the 25th is not a business day. All invoices shall, at a minimum, include the name, address, and tax I.D. number of the *Contractor*.

The *Contractor* shall require that invoices to *Contractor* from subcontractors or other third parties shall, at a minimum, conform to the *Contractor*'s invoice requirements stated above and to any format and requirements established by the *Contract Manager*.

9. **Invoice Review and Approval**
Unless notified of a different (or additional) address, as provided herein, the *Contractor* shall submit invoices for review and approval to:

Jim Flanagan,
Hawaii Energy Efficiency Program Contract Manager
124 Lower Terrace
San Francisco, CA 94114

The *Contract Manager*, no later than five (5) business days after receipt of the invoice, shall review the invoice and either approve the invoice for payment or inform the *Contractor* in writing of any disputed amount and the basis for such dispute. Any undisputed amounts shall be approved for payment by the *Contract Manager*.

If an invoice is disputed by the *Contract Manager*, the *Contractor* shall answer the *Contract Manager*'s concerns in writing within five (5) business days of the receipt of written notice from the *Contract Manager*. If the *Contractor* and the *Contract Manager* cannot resolve the dispute within ten (10) working days after receipt of the *Contractor*'s reply, the *Commission* and *Contractor* shall attempt to resolve the dispute upon a written request by the *Contractor* to the *Commission*. If the *Commission* and the *Contractor* cannot resolve the dispute within ten (10) working days after receipt of *Contractor*'s request, each party may pursue its available judicial or other remedies.

10. Payment of Invoices

Upon approval of an invoiced amount, the *Contract Manager* shall immediately send the invoice and its accompanying supporting documentation to the *Fiscal Agent* for payment. Disbursements by the *Fiscal Agent* will be made once each month; the *Fiscal Agent* will pay approved monthly invoices by the last business day of the following month.

Payment will be made to:

By Electronic funds transfer:

Science Applications International Corporation
Citibank, N.A.
New York, New York
Account No. 30547584
ABA No. 021000089 SWIFT: CITIUS33

By check:

Science Applications International Corporation
P.O. Box 223058
Pittsburgh, PA 15251-2058

The parties understand that the *Fiscal Agent* may not have collected adequate *PBF Funds* in a particular month to pay *Contractor*'s approved invoices in full. In order to be made aware of these shortfalls, the *Commission* will direct the *Fiscal Agent* to inform the *Contract Manager* (who shall then inform the *Contractor*) on a monthly basis of the total funds available to pay *Contractor*'s invoices. The total funds available shall be the *PBF*

Funds collected to date. Any unpaid *Contractor* invoices from prior months shall be paid first and then a partial payment shall be made on *Contractor*'s current monthly invoice. All *Contractor*'s approved invoices shall be paid in full within thirty (30) days as funds become available.

At the expiration of this *Contract*, the *Contractor* will most likely still be due payments for one or more monthly invoices and for any performance incentives earned pursuant to Attachment C to this *Contract*. In such a case, the *Contractor*'s approved unpaid invoices shall be paid prior to any payments being made to any other contractor who has been hired by the *Commission* to serve as the *Program Administrator*.

11. Performance Incentive Mechanism

The *Contractor* is eligible to receive performance incentives as described in Attachment C to this *Contract*. The funds which comprise the performance incentive shall be based on a hold-back of non-incentive monthly labor billings not to exceed $700,000 per program year. This amount shall be referred to as the *Performance Pool* and disbursed to the contractor upon meeting requirements described in Attachment C.

The parties agree that after the *Contract Manager* and the *Commission* have made a final determination on the performance incentive award for the *Contractor* in accordance with the procedures in Attachment C, any funds available for the performance incentive but not earned by the *Contractor* shall not be paid to the *Contractor*.

12. Annual Request for Carryover of Funds

On or before June 1, 2010, the *Contractor* shall, if necessary, file with the *Commission* and Contract Administrator a request to carry over any unspent *Contractor PBF Funds* from the 2009 Program Year.

Such a request to carry forward any anticipated unspent *Contractor PBF Funds* shall be required only if the unspent *Contractor PBF Funds* for the 2009 Program Year are greater than 10% of the total *PBF Funds* available in that year, as shown on Attachment E; if the unspent *Contractor PBF Funds* for 2009 are less than 10% of the total *PBF Funds* available in that particular year, the unspent *Contractor PBF Funds* shall automatically be carried forward to the 2010 Program Year. In no event may such request seek a change, for a given year, in the total annual amount to be collected from Hawaii electric ratepayers as approved in any of the corresponding *Commission* orders or rules that sets out the *PBF* in each of the Program Years.

If the request to carryover *Contractor PBF Funds* from the 2009 Program Year to the 2010 Program Year is not approved and the result of such non-approval is that the overall two-year budget for the *Contractor* is reduced, then a corresponding reduction in the overall *Work* as set forth in Attachment A will be agreed upon. In addition, the Performance Incentive Mechanism set forth in Attachment C will be adjusted to reflect the lower budget available for the *Contractor* to accomplish the various milestones and goals detailed in Attachment C. The *Contractor* will make such a request for a reduction in the *Work* and an adjustment to the goals and milestones in writing to the *Commission*.

The *Contractor* and the *Commission* will mutually agree on such reductions and adjustments.

The *Commission* may provide the *Contract Manager*, the HECO utilities, the Consumer Advocate and all concerned parties an opportunity to submit comments and may request a technical workshop prior to acting on the *Contractor*'s request for the carry forward of unspent *Contractor PBF Funds*. After comments are submitted, the *Commission* shall review the *Contractor*'s request, and reject it, approve it or approve it with modifications. The approval or rejection shall be made no later thirty (30) calendar days of the request.

ATTACHMENT C
PERFORMANCE INCENTIVE MECHANISM

I. Overview

The *Contractor* and the *Commission* agree that a portion of payments to the *Contractor* shall be based on the *Contractor*'s performance in achieving the *Commission*'s objectives and successfully delivering the strategies and initiatives described in the *Scope of Work*. The performance incentive mechanism is designed to reward superior performance by the *Contractor* in the overall administration and delivery of energy efficiency services which achieve specific resource acquisition outcomes and market transformation goals.

For the period July 1, 2009 through June 30, 2010 (Program Year 2009) and July 1, 2010 through June 30, 2011 (Program Year 2010), a proportional holdback of direct billings (exclusive of incentives or payments made directly to participants, customers, and allies) will be set aside to fund the performance payment. This performance payment pool (Performance Pool) shall be in the amount of **$700,000** for each year. For each Program Year, the *Contractor* can earn up to **$700,000** in Performance Awards for meeting the *Target Level* for program Performance Indicators that are defined in this Attachment.

If the *Contractor* does not meet the Minimum Performance Level, no Performance Award shall be paid for that Performance Indicator. Tables C-2 through C-4 lists the Minimum Performance Level and the award amount allocated to that level. The Minimum Performance for the Market Transformation and Island Equity Performance Indicators is at the *Target Level*. The total performance payment for meeting the Minimum Performance Level in each category is **$567,000** for each Program Year.

For the same period, the *Contractor* can earn additional Performance Awards if the *Contractor* exceeds the *Target Level* for performance indicators as identified in Tables C-2 through C-4. The *Maximum Performance Award* that the *Contractor* can earn in Program Year 2009 or Program Year 2010 is capped at **$833,000** for each Program Year. The Market Transformation and Island Equity Performance indicators do not allow additional awards for exceeding the *Target Level*.

Performance Awards for the Energy, Peak Demand and Total Resource Benefits are calculated on a sliding scale based on *Contractor's* yearly achievements. For achievements falling between the *Minimum* and *Maximum Performance Level* the performance award shall be calculated as the sum of the *Minimum Performance Level* award plus the product of the Performance Indicator times the Performance Incentive Rate as specified in Tables C-2 through C-4. The Performance Indicators for Market Transformation goals do not provide for scaling.

Each performance award is a stand-alone payment and can be awarded regardless of achievements in other Performance Indicators.

The schedule and processes for documenting and verifying achievement of performance indicators is outlined in Section III of this Attachment. The *Contractor* shall submit claims for Performance Awards. The *Commission* and/or the *Contract Manager* will verify the *Contractor*'s claims. The *Contract Manager* will make recommendations regarding all Performance Awards to the *Commission.*

Payment of any earned Performance Awards for Program Year 2009 and Program Year 2010 shall be made upon completion and approval of the Annual Report.

The performance award mechanism is subject to meeting *Commission* goals in four major areas: Resource Acquisition (Energy and Demand), Cost Effectiveness (Total Resource Benefits), Market Transformation, and Broad Participation (Island Equity), which are incorporated in Tables C-1 through C-4. The final amount of Performance Awards granted to *Contractor* will be subject to achievement of these minimum performance requirements and will be adjusted in accordance with Section C-III should the *Contractor* fail to meet any of the minimum performance requirements.

II. Description of Performance Indicators

The *Contractor* is eligible to earn an incentive for superior performance in certain specified areas. This section provides a more detailed description of Individual Performance Indicators, their weights as a percentage of the total Performance Award at the *Target Level*, their Minimum and Maximum Performance Levels, and the scaling between the two. The total *Performance Pool* is the same for Program Years 2009 and 2010; however, the Performance Indicators and awards for each year are unique. The Performance Indicators as described in Table C-1 below and in subsequent tables are:

Table C-1: Performance Indicators and Relative Awards

Table Number	Performance Indicator	% of 2009 Performance Pool	% of 2010 Performance Pool
C-1	Residential and Business Energy (kwh)	40%	40%
C-2	Peak Demand (kW)	15%	10%
C-3	Total Resource Benefits ($)	30%	30%
C-4,C-5	Market Transformation (PY 2009/10)	10%	10%
C-6	Broad Participation (Equity across each island)	5%	10%

The goals, threshold and scaling for each Performance Indicator are summarized in Tables C-2 through C-4.

A. Cumulative Annual Electric Energy Savings

1. Weighting

The overall weight for this performance indicator in the Residential and Business sectors is **40%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.40 = **$280,000**) in Program Year 2009 and in Program Year 2010.

2. *Target Level*
For the 2009 Program Year, the *Target Level* for this indicator (also known as the Electric Energy Savings Target) is **68,722 MWh for the Residential Sector** and **57,301 MWh for the Business Sector**.

For Program Year 2010, the *Target Level* for this indicator (also known as the Electric Energy Savings Target) is **71,245 MWh for the Residential Sector** and **61,370 MWh for the Business Sector**.

The Electric Energy Savings Target measures the sum of annualized first-year savings (at generation and net of free riders) achieved by implementation of all *Program* strategies and initiatives, during each *Program* Year.

3. **Scaling from Minimum to Maximum Performance**
The *Contractor* shall be eligible to receive a Performance Award for this indicator only if the *Commission* determines that the *Contractor* successfully achieves and documents Electric Energy Savings above the Minimum Performance level.

If the *Contractor* achieves the Minimum Performance level in either the Residential or Business Sector, it can earn **$105,000** in Program Year 2009 and the same incentive in Program Year 2010. If the *Contractor* exceeds the Minimum Performance Level, the Performance Award Amount shall be scaled between the Minimum Performance and Maximum Performance level of the actual Electric Energy Savings as detailed in Table C-2.

4. **Performance Award Cap at Maximum Performance level**
The Total Electric Energy Savings Performance Award is capped at **$175,000** for each of the Residential and Business Sectors in both Program Year 2009 and Program Year 2010. The maximum combined performance award for Annual Electric Energy Savings in either Program Year is **$350,000**.

5. **Performance Award Calculation**
The *Contractor's* Performance Award shall be the sum of:

- **$0** if verified cumulative annual Electric Energy Savings are less than Minimum Performance levels listed in Table C-2.

- **$105,000** for achieving the Minimum Performance Level plus **$2.04** per **MWh** for verified cumulative annual Electric Energy Savings between **51,542 MWh** and **68,722 MWh** and **$5.09** per **MWh** for verified savings between **68,723 MWh** and **75,594 MWh** in the Residential Sector in Program Year 2009.

- **$105,000** for achieving the Minimum Performance Level plus **$1.97** per **MWh** for verified cumulative annual Electric Energy Savings between **53,434 MWh** and **71,245 MWh** and **$4.91** per **MWh** for verified savings between **71,246 MWh** and **78,370 MWh** in the Residential Sector in Program Year 2010.

- **$105,000** for achieving the Minimum Performance Level plus **$2.44** per **MWh** for verified cumulative annual Electric Energy Savings between **42,976 MWh and 57,301 MWh** and **$6.11** per **MWh** for verified savings between **57,302 MWh** and **63,031 MWh** in the Business Sector in Program Year 2009.

- **$105,000** for achieving the Minimum Performance Level plus **$2.28** per **MWh** for verified cumulative annual Electric Energy Savings between **46,028 MWh and 61,370 MWh** and **$5.70** per **MWh** for verified savings between **61,371 MWh** and **67,507 MWh** in the Business Sector in Program Year 2010.

Table C-2: Annual Electric Energy Savings Performance Award Schedule

	Energy	Award	Rate
Res PY 2009	**MWh**	**Amount**	**$/MWh**
Target	68,722	$140,000	
Minimum Performance	51,542	$105,000	$ 2.04
Maximum Performance	75,594	$175,000	$ 5.09
Res PY 2010			
Target	71,245	$140,000	
Minimum Performance	53,434	$105,000	$ 1.97
Maximum Performance	78,370	$175,000	$ 4.91
Bus PY 2009			
Target	57,301	$140,000	
Minimum Performance	42,976	$105,000	$ 2.44
Maximum Performance	63,031	$175,000	$ 6.11
Bus PY 2010			
Target	61,370	$140,000	
Minimum Performance	46,028	$105,000	$ 2.28
Maximum Performance	67,507	$175,000	$ 5.70

B. Total Resource Benefits

This Performance Indicator is designed to encourage the *Contractor* to maximize energy-related and other resource benefits by implementing energy-efficiency measures and projects that provide persistent energy and demand savings.

1. **Weighting**

   The overall weight for this performance indicator is **30%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.30= **$210,000**) in Program Year 2009 and in Program Year 2010.

2. ***100% Target Level***

   The Total Resource Benefits ("TRB") Target Level shall be determined by the *Contractor* and approved by *Contract Manager* and *the Commission* before the beginning of each Program Year as part of the Annual Plan.

The TRB Performance Indicator includes cumulative savings over each Program Year as achieved by implementation of all *Program* services and initiatives. The TRB for any given service is defined as the present value of lifetime net resource savings in electricity, and demand that are valued at current projections of avoided resource costs.[1] Avoided costs do not include environmental or any other externalities (e.g., indirect economic benefits).

3. **Scaling from Minimum to Maximum Performance**
The *Contractor* shall be eligible to receive a Performance Award for this indicator only if the *Commission* determines that the *Contractor* successfully achieves and documents TRB above the Minimum Performance level.

If the *Contractor* achieves the Minimum Performance level, it can earn **$175,000** in Program Year 2009 and the same incentive in Program Year 2010. If the *Contractor* exceeds the Minimum Performance Level, the Performance Award Amount shall be scaled linearly between the Minimum Performance and Maximum Performance level of the actual Total Resource Benefits as detailed in Table C-3.

4. **Performance Award Cap at Maximum Performance level**
The TRB Performance Award is capped at **$245,000** for each Program Year.

5. **Performance Award Calculation**
The *Contractor's* Performance Award shall be:

- **$0** if verified cumulative annual Total Resource Benefits are less than Minimum Performance levels listed in Table C-3.

- **$175,000** for achieving the Minimum Performance Level plus **$1,750** per each one percentage point of verified TRB between **80%** and **120%** of the Target in Program Year 2009 and 2010.

Table C-3: Total Resource Benefit Award Schedule

	TRB	Award	Rate/%
		Amount	
Target	100%	$ 210,000	$ 1,750
Minimum Performance	80%	$ 175,000	
Maximum Performance	120%	$ 245,000	

C. **Summer Peak Demand Savings**
This Performance Indicator is designed to encourage the *Contractor* to achieve superior levels of peak summer demand savings in addition to annual energy savings and total

[1] TRB does not include measure costs, or any other costs or benefits to customers (e.g., productivity increases, changes in Operation & Maintenance costs).

resource benefits. Target goals for this Performance Indicator includes combined savings from both Residential and Business Sectors.

1. **Weighting**
The overall weight for this performance indicator is **15%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.15 = **$105,000**) for Program Year 2009 and **10%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.05 = **$70,000**) for Program Year 2010.

2. ***Target Level***
For Program Year 2009, the combined *Target Level* for this indicator (also known as the Summer Peak Demand Savings Target) is **20,098 kW**. For Program Year 2010, the combined *Target Level* for this indicator is **23,126 kW**. The Summer Peak Demand Savings Target measures the cumulative annual summer peak demand savings achieved by implementation of all *Contractor* services and initiatives.

   Summer Peak Demand is defined as the sum across all measures of the energy savings occurring weekdays between the hours of 5pm and 9pm during the months of August through November divided by the number of hours in that period. Peak is based on units installed in each year, regardless of the actual date of installation.

3. **Scaling from Minimum to Maximum Performance**
The *Contractor* shall be eligible to receive a Performance Award for this indicator only if the *Commission* determines that the *Contractor* successfully achieves and documents Summer Peak Demand Savings above the Minimum Performance Level.

   If the *Contractor* achieves the Minimum Performance level, it can earn **$105,000** in Program Year 2009 and **$77,000** in Program Year 2010. If the *Contractor* exceeds the Minimum Performance Level, the Performance Award Amount shall be scaled between the Minimum Performance and Maximum Performance level of the actual Electric Energy Savings as detailed in Table C-4.

4. **Performance Award Cap at Maximum Performance level**
The Summer Peak Demand Savings Performance Award is capped at **$133,000** for Program Year 2009 and **$98,000** Program Year 2010.

5. **Performance Award Calculation**
The *Contractor's* Performance Award shall be:

   - **$0** if verified Summer Peak Demand Savings are less than Minimum Performance levels listed in Table C-4.

   - **$77,000** for achieving Summer Peak Demand Savings of **15,073 kW** plus **$5.57** per kW for verified cumulative annual Summer Peak Demand Savings between **15,074 kW** and **20,097 kW** and **$13.93** per kW for verified annual Summer Peak Demand Savings between **20,098 kW** and **22,107 kW** in Program Year 2009.

- **$42,000** for achieving Summer Peak Demand Savings of **17,345 kW** plus **$4.84** per kW for verified cumulative annual Summer Peak Demand Savings between **17,345 kW** and **23,126 kW** and **$12.11** per kW for verified annual Summer Peak Demand Savings between **23,127 kW** and **25,439 kW** in Program Year 2010.

Table C-4: Peak Demand Performance Award Schedule

Combined Peak Demand Performance Goals			
	kW	Award	Rate
PY 2009 Target		Amount	$/kW
Target	20,097	$105,000	
Minimum Performance	15,073	$ 77,000	$ 5.57
Maximum Performance	22,107	$133,000	$ 13.93
PY 2010 Target			
Target	23,126	$ 70,000	
Minimum Performance	17,345	$ 42,000	$ 4.84
Maximum Performance	25,439	$ 98,000	$ 12.11

D. Market Transformation

Market Transformation goals vary by Program Year and are designed to encourage lasting change with regard to how energy is used in State businesses and homes. For the 2009 Program Year, Market Transformation goals include the introduction of new and emerging technologies and the development of a trade ally network of contractors and service providers. For the 2010 Program Year, Market Transformation goals support the installation of maximum efficiency demonstration projects at State buildings, the launch of a Retro-commissioning (RCx) Program and development of partnerships with non-profits and community organizations that can carry efficiency goals into the community.

The Market Transformation Performance Awards are fixed at the Target Level. No incentives shall be paid in the event that the Target Level is not met and no additional incentive shall be paid for exceeding the Target Level.

1. **Weighting**
   The overall weight for this Performance Indicator is **10%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.10 = **$70,000**) in each Program Year.

2. ***Target Level***
   To reach the *Target Level* for this indicator in Program Year 2009, the *Contractor* must achieve the following:
   - Emerging Technologies: *Contractor* must initiate and complete installation of twenty (20) or more projects that incorporate a unique emerging technology application. A list of approved emerging technologies can be found in Section III.B.2. New technologies can be added to the list by mutual agreement of both the *Contractor* and the *Commission*.

- Ally Referrals: *Contractor* shall develop a list of trained trade allies that can assist with the development of program applications. A minimum of forty (40) *Program* application forms referred by trade allies from this list must be submitted.

To reach the *Target Level* for this indicator in Program Year 2010, the *Contractor* must achieve the following:

- State Buildings Demonstration Projects: *Contractor* must complete *comprehensive retrofits at ten (10) State owned demonstration buildings.*
- Launch RCx Program: *Contractor* must design and launch a commercial RCx program by January 1, 2011.
- Community Partnership: *Contractor* must establish and sign four (4) or more Community Partnership agreements.

1. Performance Award Calculation

The *Contractor's* Performance Award shall be the sum of:

- **$0** if fewer than twenty (20) Emerging Technology Projects are completed in Program Year 2009.
- **$0** if fewer than forty (40) completed Program Applications are received from trained Program Allies in Program Year 2009.
- **$0** if the RCx Program kickoff is not completed by January 1, 2011.
- **$0** if fewer than ten (10) State Building retrofits are completed in Program Year 2010.
- **$0** if fewer than four (4) Community Partnerships agreements are signed in Program Year 2010.
- **$35,000** for completing installation of twenty (20) or more Emerging Technology projects in Program Year 2009.
- **$35,000** for submittal of forty (40) or more completed Program Applications from trained Program Allies in Program Year 2009.
- **$35,000** for completing ten (10) or more State Building Retrofits in Program Year 2010.
- **$17,500** for completing the RCx Program design and kickoff on or before January 1, 2011.
- **$17,500** for completing four (4) or more Community Partnership agreements in Program Year 2010.

B. Island Equity:
This indicator is designed to ensure program benefits accrue to each Island commensurate with contributions from each Island to the PBF fund.

The Island Equity Performance Incentives are fixed at the 100% level. No incentives shall be paid in the event that the Target Level is not met and no additional incentive shall be paid for exceeding the Target Level.

1. **Weighting**
The overall weight for this performance indicator is **5%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.05 = **$35,000**) in Program Year 2009 and **10%** of the *Contractor*'s total Performance Award at the *Target Level* ($700,000 * 0.10 = **$70,000**) in Program Year 2010.

2. ***Target Level***
The *Contractor*'s Island Equity Target for this performance indicator is to keep Customer Incentives within 20% of each Islands relative PBF contribution (as defined in Section III.G below) in Program Year 2009 and to deliver Energy Savings within 20% of each Islands relative PBF contribution (as defined in Section III.G below) in Program Year 2010.

3. **Performance Incentive Calculation**
The *Contractor's* Performance Award shall be:

- **$0** if the *Contractor* does not keep Customer Incentives within a minimum of 20% of the PBF contribution ratio of all Islands in Program Year 2009.

- **$0** if the *Contractor* does not achieve delivery of Energy Savings within a minimum of 20% of the PBF contribution ratio of all Islands in Program Year 2010.

- **$35,000** if the *Contractor* keeps Customer Incentives within 20% of relative PBF contribution ratio for all Islands in Program Year 2009.

- **$70,000** if the *Contractor* achieves Energy Savings within 20% of relative PBF contribution ratio for all Islands in Program Year 2010.

III. Documentation and Verification

A. Cumulative Annual Electric Energy Savings, Total Resource Benefits, Summer Peak Demand Savings
In order to establish and validate achievements for the Performance Awards for these three indicators, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. **Verification Process**
By October 1 following each Program Year, the *Contractor* will submit a report to the *Commission*, *Contract Manager* and *the Program Evaluator* that establishes its claim for Annual Electric Energy Savings by Sector, and Total Resource Benefits by Sector and Summer Peak Demand Savings for the previous Program Year.

The *Contract Manager* and the *Program Evaluator* will review the *Contractor*'s report and, at their own discretion, review the *Contractor*'s project files in order to assess savings estimates for custom measures, comprehensive projects, or key input assumptions. The *Contract Manager* and the *Program Evaluator* will then meet with the *Contractor* in an attempt to resolve any differences on claimed savings.

By December 1 following each Program Year, the *Program Evaluator* will provide a technical report or memorandum to the *Contract Manager* with its recommendation on Annual Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings for each Program Year. Following receipt of this report, the *Contract Manager* will provide a recommendation to the *Commission* regarding Annual Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings for the associated Program Year.

Following receipt of the *Program Evaluators* report for each Program Year, the *Contract Manager* will also provide a recommendation to the *Commission* on the appropriate Performance Award for each category. Each year the *Commission* will make a final determination regarding Annual Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings from the previous year. By January 1 following each Program Year, the *Commission* will make a final determination regarding cumulative Annual Electric Energy Savings by sector, Total Resource Benefits, and Summer Peak Demand Savings by Sector and the appropriate Performance Award for each category.

2. **Establishment and Documentation of Savings Estimates**
The *Contractor* shall work with the *Contract Manager* and the *Program Evaluator* to establish and maintain reasonable savings estimates for prescriptive energy efficiency measures offered. The *Contractor* shall maintain its documentation of all prescriptive measure savings assumptions in the *Technical Reference Manual (TRM)*. For custom measures or projects, where prescriptive measure savings assumptions have not been established or do not apply, the *Contractor* shall maintain in its files documentation of all assumptions and calculations used to establish its claim for Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings. All information on savings assumptions and calculations used shall be available for review by the *Program Evaluator* and *Contract Manager*.

Net-to-Gross assumptions and values used to calculate Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings shall be documented in the *TRM* before the start of each Program Year. These same net-to-gross values and assumptions shall be used for the calculation of year-end performance awards.

3. **Updating of Estimates**
As part of its ongoing management and planning, the *Contractor* shall review and update, as appropriate, its estimates of Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings for measures, technologies and projects in order to reflect information obtained from measurement and evaluation studies, experiences gained from implementation of energy efficiency services and initiatives, and changes in building and appliance standards and codes. Revisions to these estimates shall be incorporated into the *TRM* at the start of each Program Year. The *Contractor* shall use these revised estimates of Annual Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings on a prospective basis for measures installed in reporting claims of Annual Electric Energy Savings, Total Resource Benefits, and Summer Peak Demand Savings for the remainder of the Program Year.

B. Emerging Technologies Market Transformation
In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. **Verification Process**
Emerging Technologies Market Transformation performance indicators shall be tracked and reported in the Annual Report. To meet the targeted performance goal of twenty (20) projects in this category, at least four (4) unique Emerging Technologies must be utilized. Each emerging technologies project size shall provide a minimum annual gross energy savings of 25,000 kWh. Review and final determination of Performance Awards shall be based on the process parallel to the one described above in Section III.A.1.

2. **Establishment and Documentation of Savings Estimates**
Contractor shall track and report Emerging Technologies that are installed as a result of customer participation in the *Program*. Emerging Technologies are defined as energy saving measures that are new or not yet commercialized. Additions or deletions to the following list of Emerging Technologies can be made only upon mutual agreement of both the *Contractor* and the *Commission*.

<u>Approved Emerging Technologies:</u>
a. Fresh water pumping,
b. Wastewater processing,
c. Data Centers – airflow optimization,
d. Data Centers – server virtualization and related technologies,
e. Parking Garages – perimeter dimming,
f. Parking Garages - ventilation control,
g. Non residential demand control ventilation (CO_2 sensors in return airstream),
h. LED refrigeration case lighting,
i. LED interior lights
j. LED traffic lights,
k. District sea water cooling projects,

l. Integrated building design and construction standards,
m. Advanced energy management controls,
n. Variable volume refrigerant air conditioning
o. High performance commercial lighting (<0.5w/sf)
p. Bi-level stairwell and parking garage lighting

C. Ally Referrals

In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. Verification Process

Ally Referral performance indicators shall be tracked and reported in the Annual Report. Review and final determination of Performance Awards shall be based on the process parallel to the one described above in Section III.A.1.

2. Establishment and Documentation of Savings Estimates

Contractor shall document the date and attendance of Ally trainings in order to make any claims for this Performance Indicator. Each Ally training shall cover standards for equipment installation and program procedures for commercial or industrial *Program* incentive programs. Applications that are referred by a trained Ally count towards this Performance Indicator only if the contractor has attended and completed an Ally training previous to the application submittal date.

D. State Buildings

In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. Verification Process

State Building performance indicators shall be tracked and reported in the Annual Report. Review and final determination of Performance Awards shall be based on the process parallel to the one described above in Section III.A.1.

2. Establishment and Documentation of Savings Estimates

This Performance Indicator is intended to help facilitate retrofit of buildings owned or occupied by the State of Hawaii or local government buildings to maximum levels of efficiency. Eligible buildings shall contain a minimum of 10,000 square feet of conditioned space. To promulgate savings and techniques from these projects they may act as case studies or be used as promotional examples. In order for a facility retrofit to qualify towards this Performance Indicator, total project savings shall be greater than 10% of yearly electric consumption or greater than 100,000 gross kWh/year. In the event that constraints imposed by the State impede the completion of *Program* sponsored energy efficiency projects, privately owned buildings by be substituted with the approval of *Contract Manager.*

E. RCx Program Launch

In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. Verification Process

This Performance Indicator is based on the design and kickoff of a Retro-Commissioning Program for commercial buildings. The target goal for this Performance Indicator is to have all program collateral produced and available for potential participants, all program application materials available and program procedures and incentives finalized and approved by the *Contract Manager*. Upon completion of these tasks, the *Contractor* shall submit written documentation of completion to the *Contract Manager* for approval. The *Contract Manager* shall approve the request or document lack of compliance within 2 weeks of submittal.

F. Community Partnership

In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. Verification Process

Community Partnership performance indicators shall be tracked and reported in the Annual Report. Review and final determination of Performance Awards shall be based on the process as described above in Section III.A.1.

2. Establishment and Documentation of Savings Estimates

The goal of this Performance Indicator is to leverage community groups, agencies and associations to maximize savings from limited program budgets and to encourage lasting change with respect to energy efficiency. Relationships between contractor and community organizations shall be evidenced by a signed agreement upon which each party has obligations or commitments that result in measureable energy savings.

G. Island Equity

In order to establish and validate achievements for the Performance Awards for this indicator, the *Contractor* and the *Commission* agree to the following documentation and verification process.

1. Verification Process

Island Equity performance indicators shall be tracked and reported in the Annual Report. Review and final determination of Performance Awards shall be based on the process as described above in Section III.A.1.

2. Establishment and Documentation of Savings Estimates in Program Year 2009

Contractor shall offer *Program* services and incentives in a geographically equitable manner. To track this Performance Indicator, program Customer Incentives shall be reported by each HECO utility service area or Island. Customer Incentives include incentives or payments made directly to *Program* participants, customers, and allies.

The total Customer Incentive expenditures for each island shall be reported for each Program Year. To be eligible for a Performance Award in this category, contractor must establish that Customer Incentive expenditures or the *Program* energy savings are within 20% of yearly PBF contribution ratios for all participating islands. Table C-5 below demonstrates an example of this Performance Indicator.

3. **Establishment and Documentation of Savings Estimates in Program Year 2010**
Contractor shall offer *Program* services and incentives in a geographically equitable manner. To track this Performance Indicator, program savings shall be reported by each HECO utility service area or Island. The total energy savings for each island shall be reported for each Program Year. To be eligible for a Performance Award in this category, contractor must establish that energy savings are within 20% of yearly PBF contribution ratios for all participating islands. Table C-5 below illustrates an example of this calculation:

Table C-5: Island Equity Performance Calculation

Island	PBF Contribution (x1,000)	PBF %	Target MWh	Target (x1,000)
HECO	$ 10,000	69%	79,167	$ 8,611
HELCO	$ 1,600	11%	12,667	$ 1,378
MECO	$ 2,800	19%	22,167	$ 2,411
Total	$ 14,400			
Total energy savings (MWh):				114,000
Customer Incentive Budget (x1,000):				$12,400

In this example the total energy savings as reported and verified in the Annual Report is 114,000 MWh. The contribution to the PBF fund by Island is shown in the first two columns. To be eligible for either Performance Award, the *Program* energy savings or Customer Incentive expenditures must be within 20% of the Target amount shown for each Island.

Attachment D
Calculation of Total Cap for *Contractor*

		1/1/09 to 6/30/10		7/1/10 to 6/30/11		Total
Total PBF Budget	$	21,023,503	$	20,210,047	$	41,233,550
Additions and Deductions to the PBF Surcharge						
Less: Fiscal Agent Expenses	$	(52,500)	$	(35,000)	$	(87,500)
Less: Contract Manager Administrative Expenses	$	(344,369)	$	(41,595)	$	(485,964)
Less: Contract Manager M&E Expenses	$	(891,698)	$	(881,920)	$	(1,773,618)
Less: Fiscal Agent Audit Fees	$	(25,000)	$	(25,000)	$	(50,000)
Less: Evaluation Report for Legislature	$	-	$	(150,000)	$	(150,000)
Less: Performance Awards in Excess of Target Level	$	(133,000)	$	(133,000)	$	(266,000)
Net Additions/(Deductions)	$	(1,446,567)	$	(1,366,515)	$	(2,813,082)
				Total Cap:	$	**38,420,468**

Note 1: Includes energy efficiency incentives of $12,881,723 and $13,747,380 for Program Years 2009 and 2010 respectively

Attachment E
Estimated PBF Budget
For the Period January 1, 2009 through June 30, 2011

	1/1/09 to 6/30/10	7/1/10 to 6/30/11	Total
Contractor Programs Budget			
Programs Budget	17,512,960	17,638,406	35,151,366
Ramp-Up Programs	321,000	-	321,000
Total	17,833,960	17,638,406	35,472,366
Contractor's Administration Costs			
General Administration Costs	1,245,222	1,131,088	2,376,310
IT Development and Maintenance Costs	85,350	74,038	159,388
Ramp-Up Costs - Admin & IT	612,404	-	612,404
Contractor's Ramp-Up cost contribution	(200,000)		(200,000)
Total	1,742,976	1,205,126	2,948,102
Total *Contractor* PBF	19,576,936	18,843,532	38,420,468
Performance Awards in Excess of Target Level	133,000	133,000	266,000
Contract Manager	276,648	96,448	373,096
Fiscal Agent Costs	52,500	35,000	87,500
Fiscal Agent Audit Costs	25,000	25,000	50,000
Contract Manager M&E	67,721	45,147	112,868
Contract Manager Monitoring and Evaluation Costs	891,698	881,920	1,773,618
Evaluation Report (Leg Report)	-	150,000	150,000
Total	1,313,567	1,233,515	2,547,082
Total PBF	21,023,503	20,210,047	41,233,550
Funds Available to PBF Programs	17,833,960	17,638,406	35,472,366
Residential Program (45%)	7,880,832	7,937,283	15,818,115
C&I Programs (55%)	9,632,128	9,701,123	19,333,251
Ramp-Up Program Costs	321,000	0	321,000

Note 1: Includes energy efficiency incentives of $12,881,723 and $13,747,380 for Program Years 2009 and 2010 respectively

Attachment F
Contractor Budget
For the Period beginning March 3, 2009 through June 30, 2011

	3/3/09 to 6/30/10	7/1/10 to 6/30/11	Total
Services and Initiatives			
Residential Program			
Program Management	804,482	695,254	1,499,736
Program Operations	898,875	635,969	1,534,844
Education & Training	63,450	67,837	131,287
Advertising	211,500	211,990	423,490
Evaluation	52,875	101,755	154,630
Call Center	21,150	12,719	33,869
Data Tracking	31,725	25,439	57,164
Customer Energy Efficiency Incentives	5,796,775	6,186,320	11,983,095
Total Residential Programs	7,880,832	7,937,283	15,818,115
C&I Programs			
Program Management	983,255	849,753	1,833,008
Program Operations	1,098,625	777,296	1,875,921
Education & Training	77,550	82,911	160,461
Advertising	258,500	259,098	517,598
Evaluation	64,625	124,367	188,992
Call Center	25,850	15,546	41,396
Data Tracking	38,775	31,092	69,867
Customer Energy Efficiency Incentives	7,084,948	7,561,060	14,646,008
Total Commercial & Industrial Programs	9,632,128	9,701,123	19,333,251
Ramp-Up Program costs	321,000	-	321,000
Total Services and Initiatives	17,833,960	17,638,406	35,472,366
Supporting Services			
General Administration	1,245,222	1,131,088	2,376,310
Information Technology	85,350	74,038	159,388
Ramp-Up Costs - General Administration	493,554	-	493,554
Ramp-Up Costs - Information Technology	118,850	-	118,850
Less: *Contractor* Contribution	(200,000)	-	(200,000)
Total Supporting Services	1,742,976	1,205,126	2,948,102
Sub-Total Estimated Contractor Costs	19,576,936	18,843,532	38,420,468
Performance Awards in Excess of Target Levels	133,000	133,000	266,000
Total Estimated *Contractor* Costs, including Performance Awards in Excess of Target Level	19,709,936	18,976,532	38,686,468

Note 1: Includes energy efficiency incentives of $12,881,723 and $13,747,380 for Program Years 2009 and 2010 respectively

ATTACHMENT G
LIST OF KEY PERSONNEL

The parties agree that the following individuals are considered "key" for the purposes of performing the *Work* in this *Agreement*:

H. Ray Starling	**Program Manager**
John Nicol	**Deputy Program Manager**
Thomas M. Giffin	**Design Manager**
Tom Jensen	**IT Manager**
Liz Donati	**Design**
Anna Larson	**Marketing**
Anne Wagner	**Outreach**

The replacement of any key personnel listed above may only be made after written notice to the Contract Manager and Commission along with the resume of the proposed replacement. The replacement will not perform as a key person until approval by the Commission, such approval will not be unreasonably withheld. The approval or rejection will be given no later than 30 days of notice and the Commission understands that time is of the essence.

ATTACHMENT H
DISTRIBUTION LIST FOR REPORTS AND OTHER INFORMATION SHARING DOCUMENTS

Item	Info Source	Parties Receiving Information	Approval Required
1	Monthly Report	CM, PUC	No
2	Quarterly Report	CM, PUC	No
3	Annual Report	CM, PUC, CA	No
4	Annual Savings Claim Report	CM, PUC, CA	Yes – CA through CM
5	Request to Carryover Funds from Year-to-Year	CM, PUC, CA	Yes - PUC
6	Annual Plan	CM, PUC, CA	Yes - PUC
7	Monthly invoices review	CM PUC, FA, CA upon request	Yes – CM
8	Quarterly Updates to HECO Companies (including listing of active and complete C&I projects)	HECO Companies, CM, PUC, CA	No
9	Copies of significant marketing and press materials	CM, PUC, CA	No
10	Technical Reference Manual	CM, PUC, CA	No
11	Program Implementation Procedures	CM, PUC	Yes– CM
12	Data System Documentation (Data Internals, Reference Manual and Users' Manual)	CM, PUC	No
13	Quality Assurance Plan & Report	CM, PUC	No
14	Customer Specific and Competitively-Sensitive Information Procedures	CM, PUC	Yes – CM
15	Research reports, conference presentations, journal papers	CM, PUC, CA	Yes – PUC
16	Legislative Testimony	CM, PUC	Yes - PUC
17	Financial Audit	CM, PUC, CA, FA	No

Item	Info Source	Parties Receiving Information	Approval Required
18	*Dispute Resolution*	CM, PUC, CA	Yes - CM
19	Photovoltaic Rebate Program Report	CM, PUC, CA	No
20	Performance Assessments	CM, PUC, CA Upon request	No
21	Resource Planning (formerly "IRP") and Program Evaluation	CM, PUC, CA, HECO Companies	No

Definitions:

"CA" means Division of Consumer Advocacy, Department of Commerce and Consumer Affairs
"CM" means the Contract Manager
"FA" means Fiscal Agent
"HECO Companies" means HECO, HELCO & MECO companies
"PUC" means Hawaii Public Utilities Commission

Attachment I
GENERAL CONDITIONS

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GENERAL CONDITIONS

1. Coordination of Services by the STATE. The head of the purchasing agency ("HOPA") (which term includes the designee of the HOPA) shall coordinate the services to be provided by the CONTRACTOR in order to complete the performance required in the Contract. The CONTRACTOR shall maintain communications with HOPA at all stages of the CONTRACTOR'S work, and submit to HOPA for resolution any questions which may arise as to the performance of this Contract. "Purchasing agency" as used in these General Conditions means and includes any governmental body which is authorized under chapter 103D, HRS, or its implementing rules and procedures, or by way of delegation, to enter into contracts for the procurement of goods or services or both.

2. Relationship of Parties: Independent Contractor Status and Responsibilities, Including Tax Responsibilities.

   a. In the performance of services required under this Contract, the CONTRACTOR is an "independent contractor," with the authority and responsibility to control and direct the performance and details of the work and services required under this Contract; however, the STATE shall have a general right to inspect work in progress to determine whether, in the STATE'S opinion, the services are being performed by the CONTRACTOR in compliance with this Contract. Unless otherwise provided by special condition, it is understood that the STATE does not agree to use the CONTRACTOR exclusively, and that the CONTRACTOR is free to contract to provide services to other individuals or entities while under contract with the STATE.

   b. The CONTRACTOR and the CONTRACTOR'S employees and agents are not by reason of this Contract, agents or employees of the State for any purpose, and the CONTRACTOR and the CONTRACTOR'S employees and agents shall not be entitled to claim or receive from the State any vacation, sick leave, retirement, workers' compensation, unemployment insurance, or other benefits provided to state employees.

   c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract. Furthermore, the CONTRACTOR intentionally, voluntarily, and knowingly assumes the sole and entire liability to the CONTRACTOR'S employees and agents, and to any individual not a party to this Contract, for all loss, damage, or injury caused by the CONTRACTOR, or the CONTRACTOR'S employees or agents in the course of their employment.

   d. The CONTRACTOR shall be responsible for payment of all applicable federal, state, and county taxes and fees which may become due and owing by the CONTRACTOR by reason of this Contract, including but not limited to (i) income taxes, (ii) employment related fees, assessments, and taxes, and (iii) general excise taxes. The CONTRACTOR also is responsible for obtaining all licenses, permits, and certificates that may be required in order to perform this Contract.

   e. The CONTRACTOR shall obtain a general excise tax license from the Department of Taxation, State of Hawaii, in accordance with section 237-9, HRS, and shall comply with all requirements thereof. The CONTRACTOR shall obtain a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of the Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid and submit the same to the STATE prior to commencing any performance under this Contract. The CONTRACTOR shall also be solely responsible for meeting all requirements necessary to obtain the tax clearance certificate required for final payment under sections 103-53 and 103D-328, HRS, and paragraph 17 of these General Conditions.

   f. The CONTRACTOR is responsible for securing all employee-related insurance coverage for the CONTRACTOR and the CONTRACTOR'S employees and agents that is or may be required by law, and for payment of all premiums, costs, and other liabilities associated with securing the insurance coverage.

g. The CONTRACTOR shall obtain a certificate of compliance issued by the Department of Labor and Industrial Relations, State of Hawaii, in accordance with section103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.

h. The CONTRACTOR shall obtain a certificate of good standing issued by the Department of Commerce and Consumer Affairs, State of Hawaii, in accordance with section 103D-310, HRS, and section 3-122-112, HAR, that is current within six months of the date of issuance.

i. In lieu of the above certificates from the Department of Taxation, Labor and Industrial Relations, and Commerce and Consumer Affairs, the CONTRACTOR may submit proof of compliance through the State Procurement Office's designated certification process.

3. Personnel Requirements.

a. The CONTRACTOR shall secure, at the CONTRACTOR'S own expense, all personnel required to perform this Contract.

b. The CONTRACTOR shall ensure that the CONTRACTOR'S employees or agents are experienced and fully qualified to engage in the activities and perform the services required under this Contract, and that all applicable licensing and operating requirements imposed or required under federal, state, or county law, and all applicable accreditation and other standards of quality generally accepted in the field of the activities of such employees and agents are complied with and satisfied.

4. Nondiscrimination. No person performing work under this Contract, including any subcontractor, employee, or agent of the CONTRACTOR, shall engage in any discrimination that is prohibited by any applicable federal, state, or county law.

5. Conflicts of Interest. The CONTRACTOR represents that neither the CONTRACTOR, nor any employee or agent of the CONTRACTOR, presently has any interest, and promises that no such interest, direct or indirect, shall be acquired, that would or might conflict in any manner or degree with the CONTRACTOR'S performance under this Contract.

6. Subcontracts and Assignments. The CONTRACTOR shall not assign or subcontract any of the CONTRACTOR'S duties, obligations, or interests under this Contract and no such assignment or subcontract shall be effective unless (i) the CONTRACTOR obtains the prior written consent of the STATE, and (ii) the CONTRACTOR'S assignee or subcontractor submits to the STATE a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR'S assignee or subcontractor have been paid. Additionally, no assignment by the CONTRACTOR of the CONTRACTOR'S right to compensation under this Contract shall be effective unless and until the assignment is approved by the Comptroller of the State of Hawaii, as provided in section 40-58, HRS.

a. Recognition of a successor in interest. When in the best interest of the State, a successor in interest may be recognized in an assignment contract in which the STATE, the CONTRACTOR and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

(1) The Assignee assumes all of the CONTRACTOR'S obligations;

(2) The CONTRACTOR remains liable for all obligations under this Contract but waives all rights under this Contract as against the STATE; and

(3) The CONTRACTOR shall continue to furnish, and the Assignee shall also furnish, all required bonds.

b. Change of name. When the CONTRACTOR asks to change the name in which it holds this Contract with the STATE, the procurement officer of the purchasing agency (hereinafter referred to as the "Agency procurement officer") shall, upon receipt of a document acceptable or satisfactory to the

Agency procurement officer indicating such change of name (for example, an amendment to the CONTRACTOR'S articles of incorporation), enter into an amendment to this Contract with the CONTRACTOR to effect such a change of name. The amendment to this Contract changing the CONTRACTOR'S name shall specifically indicate that no other terms and conditions of this Contract are thereby changed.

c. Reports. All assignment contracts and amendments to this Contract effecting changes of the CONTRACTOR'S name or novations hereunder shall be reported to the chief procurement officer (CPO) as defined in section 103D-203(a), HRS, within thirty days of the date that the assignment contract or amendment becomes effective.

d. Actions affecting more than one purchasing agency. Notwithstanding the provisions of subparagraphs 6a through 6c herein, when the CONTRACTOR holds contracts with more than one purchasing agency of the State, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the CPO's office.

7. Indemnification and Defense. The CONTRACTOR shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefore, arising out of or resulting from the acts or omissions of the CONTRACTOR or the CONTRACTOR'S employees, officers, agents, or subcontractors under this Contract. The provisions of this paragraph shall remain in full force and effect notwithstanding the expiration or early termination of this Contract.

8. Cost of Litigation. In case the STATE shall, without any fault on its part, be made a party to any litigation commenced by or against the CONTRACTOR in connection with this Contract, the CONTRACTOR shall pay all costs and expenses incurred by or imposed on the STATE, including attorneys' fees.

9. Liquidated Damages. When the CONTRACTOR is given notice of delay or nonperformance as specified in paragraph 13 (Termination for Default) and fails to cure in the time specified, it is agreed the CONTRACTOR shall pay to the STATE the amount, if any, set forth in this Contract per calendar day from the date set for cure until either (i) the STATE reasonably obtains similar goods or services, or both, if the CONTRACTOR is terminated for default, or (ii) until the CONTRACTOR provides the goods or services, or both, if the CONTRACTOR is not terminated for default. To the extent that the CONTRACTOR'S delay or nonperformance is excused under paragraph 13d (Excuse for Nonperformance or Delay Performance), liquidated damages shall not be assessable against the CONTRACTOR. The CONTRACTOR remains liable for damages caused other than by delay.

10. STATE'S Right of Offset. The STATE may offset against any monies or other obligations the STATE owes to the CONTRACTOR under this Contract, any amounts owed to the State of Hawaii by the CONTRACTOR under this Contract or any other contracts, or pursuant to any law or other obligation owed to the State of Hawaii by the CONTRACTOR, including, without limitation, the payment of any taxes or levies of any kind or nature. The STATE will notify the CONTRACTOR in writing of any offset and the nature of such offset. For purposes of this paragraph, amounts owed to the State of Hawaii shall not include debts or obligations which have been liquidated, agreed to by the CONTRACTOR, and are covered by an installment payment or other settlement plan approved by the State of Hawaii, provided, however, that the CONTRACTOR shall be entitled to such exclusion only to the extent that the CONTRACTOR is current with, and not delinquent on, any payments or obligations owed to the State of Hawaii under such payment or other settlement plan.

11. Disputes. Disputes shall be resolved in accordance with section 103D-703, HRS, and chapter 3-126, Hawaii Administrative Rules ("HAR"), as the same may be amended from time to time.

12. Suspension of Contract. The STATE reserves the right at any time and for any reason to suspend this Contract for any reasonable period, upon written notice to the CONTRACTOR in accordance with the provisions herein.

a. Order to stop performance. The Agency procurement officer may, by written order to the CONTRACTOR, at any time, and without notice to any surety, require the CONTRACTOR to stop all or any part of the performance called for by this Contract. This order shall be for a specified period not exceeding sixty (60) days after the order is delivered to the CONTRACTOR, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this section. Stop performance orders shall include, as appropriate: (1) A clear description of the work to be suspended; (2) Instructions as to the issuance of further orders by the CONTRACTOR for material or services; (3) Guidance as to action to be taken on subcontracts; and (4) Other instructions and suggestions to the CONTRACTOR for minimizing costs. Upon receipt of such an order, the CONTRACTOR shall forthwith comply with its terms and suspend all performance under this Contract at the time stated, provided, however, the CONTRACTOR shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the Agency procurement officer shall either:

(1) Cancel the stop performance order; or

(2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this Contract.

b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the CONTRACTOR shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or contract price, or both, and the Contract shall be modified in writing accordingly, if:

(1) The stop performance order results in an increase in the time required for, or in the CONTRACTOR'S cost properly allocable to, the performance of any part of this Contract; and

(2) The CONTRACTOR asserts a claim for such an adjustment within thirty (30) days after the end of the period of performance stoppage; provided that, if the Agency procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this Contract.

c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.

d. Adjustment of price. Any adjustment in contract price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

13. Termination for Default.

a. Default. If the CONTRACTOR refuses or fails to perform any of the provisions of this Contract with such diligence as will ensure its completion within the time specified in this Contract, or any extension thereof, otherwise fails to timely satisfy the Contract provisions, or commits any other substantial breach of this Contract, the Agency procurement officer may notify the CONTRACTOR in writing of the delay or non-performance and if not cured in ten (10) days or any longer time specified in writing by the Agency procurement officer, such officer may terminate the CONTRACTOR'S right to proceed with the Contract or such part of the Contract as to which there has been delay or a failure to properly perform. In the event of termination in whole or in part, the Agency procurement officer may procure similar goods or services in a manner and upon the terms deemed appropriate by the Agency procurement officer. The CONTRACTOR shall continue performance of the Contract to the extent it is not terminated and shall be liable for excess costs incurred in procuring similar goods or services.

b. CONTRACTOR'S duties. Notwithstanding termination of the Contract and subject to any directions from the Agency procurement officer, the CONTRACTOR shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest.

c. Compensation. Payment for completed goods and services delivered and accepted by the STATE shall be at the price set forth in the Contract. Payment for the protection and preservation of property shall be in an amount agreed upon by the CONTRACTOR and the Agency procurement officer. If the parties fail to agree, the Agency procurement officer shall set an amount subject to the CONTRACTOR'S rights under chapter 3-126, HAR. The STATE may withhold from amounts due the CONTRACTOR such sums as the Agency procurement officer deems to be necessary to protect the STATE against loss because of outstanding liens or claims and to reimburse the STATE for the excess costs expected to be incurred by the STATE in procuring similar goods and services.

d. Excuse for nonperformance or delayed performance. The CONTRACTOR shall not be in default by reason of any failure in performance of this Contract in accordance with its terms, including any failure by the CONTRACTOR to make progress in the prosecution of the performance hereunder which endangers such performance, if the CONTRACTOR has notified the Agency procurement officer within fifteen (15) days after the cause of the delay and the failure arises out of causes such as: acts of God; acts of a public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the CONTRACTOR shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the CONTRACTOR to meet the requirements of the Contract. Upon request of the CONTRACTOR, the Agency procurement officer shall ascertain the facts and extent of such failure, and, if such officer determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the CONTRACTOR'S progress and performance would have met the terms of the Contract, the delivery schedule shall be revised accordingly, subject to the rights of the STATE under this Contract. As used in this *paragraph, the term "subcontractor" means subcontractor at any tier.*

e. Erroneous termination for default. If, after notice of termination of the CONTRACTOR'S right to proceed under this paragraph, it is determined for any reason that the CONTRACTOR was not in default under this paragraph, or that the delay was excusable under the provisions of subparagraph 13d, "Excuse for nonperformance or delayed performance," the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to paragraph 14.

f. Additional rights and remedies. The rights and remedies provided in this paragraph are in addition to any other rights and remedies provided by law or under this Contract.

14. Termination for Convenience.

a. Termination. The Agency procurement officer may, when the interests of the STATE so require, terminate this Contract in whole or in part, for the convenience of the STATE. The Agency procurement officer shall give written notice of the termination to the CONTRACTOR specifying the part of the Contract terminated and when termination becomes effective.

b. CONTRACTOR'S obligations. The CONTRACTOR shall incur no further obligations in connection with the terminated performance and on the date(s) set in the notice of termination the CONTRACTOR will stop performance to the extent specified. The CONTRACTOR shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The CONTRACTOR shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance subject to the STATE'S approval. The Agency procurement officer may direct the CONTRACTOR to assign the CONTRACTOR'S right, title, and interest under terminated orders or subcontracts to the STATE. The CONTRACTOR must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.

c. Right to goods and work product. The Agency procurement officer may require the CONTRACTOR to transfer title and deliver to the STATE in the manner and to the extent directed by the Agency procurement officer:

(1) Any completed goods or work product; and

(2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the CONTRACTOR has specifically produced or specially acquired for the performance of the terminated part of this Contract.

The CONTRACTOR shall, upon direction of the Agency procurement officer, protect and preserve property in the possession of the CONTRACTOR in which the STATE has an interest. If the Agency procurement officer does not exercise this right, the CONTRACTOR shall use best efforts to sell such goods and manufacturing materials. Use of this paragraph in no way implies that the STATE has breached the Contract by exercise of the termination for convenience provision.

d. Compensation.

(1) The CONTRACTOR shall submit a termination claim specifying the amounts due because of the termination for convenience together with the cost or pricing data, submitted to the extent required by chapter 3-122, HAR, bearing on such claim. If the CONTRACTOR fails to file a termination claim within one year from the effective date of termination, the Agency procurement officer may pay the CONTRACTOR, if at all, an amount set in accordance with subparagraph 14d(3) below.

(2) The Agency procurement officer and the CONTRACTOR may agree to a settlement provided the CONTRACTOR has filed a termination claim supported by cost or pricing data submitted as required and that the settlement does not exceed the total Contract price plus settlement costs reduced by payments previously made by the STATE, the proceeds of any sales of goods and manufacturing materials under subparagraph 14c, and the Contract price of the performance not terminated.

(3) Absent complete agreement under subparagraph 14d(2) the Agency procurement officer shall pay the CONTRACTOR the following amounts, provided payments agreed to under subparagraph 14d(2) shall not duplicate payments under this subparagraph for the following:

(A) Contract prices for goods or services accepted under the Contract;

(B) Costs incurred in preparing to perform and performing the terminated portion of the performance plus a fair and reasonable profit on such portion of the performance, such profit shall not include anticipatory profit or consequential damages, less amounts paid or to be paid for accepted goods or services; provided, however, that if it appears that the CONTRACTOR would have sustained a loss if the entire Contract would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;

(C) Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to subparagraph 14b. These costs must not include costs paid in accordance with subparagraph 14d(3)(B);

(D) The reasonable settlement costs of the CONTRACTOR, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the Contract and for the termination of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of this Contract. The total sum to be paid the CONTRACTOR under this subparagraph shall not exceed the total Contract price plus the reasonable settlement costs of the CONTRACTOR reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph 14d(2), and the contract price of performance not terminated.

(4) Costs claimed, agreed to, or established under subparagraphs 14d(2) and 14d(3) shall be in accordance with Chapter 3-123 (Cost Principles) of the Procurement Rules.

15. Claims Based on the Agency Procurement Officer's Actions or Omissions.

a. Changes in scope. If any action or omission on the part of the Agency procurement officer (which term includes the designee of such officer for purposes of this paragraph 15) requiring performance changes within the scope of the Contract constitutes the basis for a claim by the CONTRACTOR for additional compensation, damages, or an extension of time for completion, the CONTRACTOR shall continue with performance of the Contract in compliance with the directions or orders of such officials, but by so doing, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, damages, or an extension of time for completion; provided:

(1) Written notice required. The CONTRACTOR shall give written notice to the Agency procurement officer:

(A) Prior to the commencement of the performance involved, if at that time the CONTRACTOR knows of the occurrence of such action or omission;

(B) Within thirty (30) days after the CONTRACTOR knows of the occurrence of such action or omission, if the CONTRACTOR did not have such knowledge prior to the commencement of the performance; or

(C) Within such further time as may be allowed by the Agency procurement officer in writing.

(2) Notice content. This notice shall state that the CONTRACTOR regards the act or omission as a reason which may entitle the CONTRACTOR to additional compensation, damages, or an extension of time. The Agency procurement officer, upon receipt of such notice, may rescind such action, remedy such omission, or take such other steps as may be deemed advisable in the discretion of the Agency procurement officer;

(3) Basis must be explained. The notice required by subparagraph 15a(1) describes as clearly as practicable at the time the reasons why the CONTRACTOR believes that additional compensation, damages, or an extension of time may be remedies to which the CONTRACTOR *is entitled; and*

(4) Claim must be justified. The CONTRACTOR must maintain and, upon request, make available to the Agency procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the STATE, justifying the claimed additional costs or an extension of time in connection with such changes.

b. CONTRACTOR not excused. Nothing herein contained, however, shall excuse the CONTRACTOR from compliance with any rules or laws precluding any state officers and CONTRACTOR from acting in collusion or bad faith in issuing or performing change orders which are clearly not within the scope of the Contract.

c. Price adjustment. Any adjustment in the price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this Contract.

16. Costs and Expenses. Any reimbursement due the CONTRACTOR for per diem and transportation expenses under this Contract shall be subject to chapter 3-123 (Cost Principles), HAR, and the following guidelines:

a. Reimbursement for air transportation shall be for actual cost or coach class air fare, whichever is less.

b. Reimbursement for ground transportation costs shall not exceed the actual cost of renting an intermediate-sized vehicle.

c. Unless prior written approval of the HOPA is obtained, reimbursement for subsistence allowance (i.e., hotel and meals, etc.) shall not exceed the applicable daily authorized rates for inter-island or out-of-state travel that are set forth in the current Governor's Executive Order authorizing adjustments in salaries and benefits for state officers and employees in the executive branch who are excluded from collective bargaining coverage.

17. Payment Procedures; Final Payment; Tax Clearance.

a. Original invoices required. All payments under this Contract shall be made only upon submission by the CONTRACTOR of original invoices specifying the amount due and certifying that services requested under the Contract have been performed by the CONTRACTOR according to the Contract.

b. Subject to available funds. Such payments are subject to availability of funds and allotment by the Director of Finance in accordance with chapter 37, HRS. Further, all payments shall be made in accordance with and subject to chapter 40, HRS.

c. Prompt payment.

(1) Any money, other than retainage, paid to the CONTRACTOR shall be disbursed to subcontractors within ten (10) days after receipt of the money in accordance with the terms of the subcontract; provided that the subcontractor has met all the terms and conditions of the subcontract and there are no bona fide disputes; and

(2) Upon final payment to the CONTRACTOR, full payment to the subcontractor, including retainage, shall be made within ten (10) days after receipt of the money; provided that there are no bona fide disputes over the subcontractor's performance under the subcontract.

d. Final payment. Final payment under this Contract shall be subject to sections 103-53 and 103D-328, HRS, which require a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid. Further, in accordance with section 3-122-112, HAR, CONTRACTOR shall provide a certificate affirming that the CONTRACTOR has remained in compliance with all applicable laws as required by this section.

18. Federal Funds. If this Contract is payable in whole or in part from federal funds, CONTRACTOR agrees that, as to the portion of the compensation under this Contract to be payable from federal funds, the CONTRACTOR shall be paid only from such funds received from the federal government, and shall not be paid from any other funds. Failure of the STATE to receive anticipated federal funds shall not be considered a breach by the STATE or an excuse for nonperformance by the CONTRACTOR.

19. Modifications of Contract.

a. In writing. Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract permitted by this Contract shall be made by written amendment to this Contract, signed by the CONTRACTOR and the STATE, provided that change orders shall be made in accordance with paragraph 20 herein.

b. No oral modification. No oral modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract shall be permitted.

c. Agency procurement officer. By written order, at any time, and without notice to any surety, the Agency procurement officer may unilaterally order of the CONTRACTOR:

(A) Changes in the work within the scope of the Contract; and

(B) Changes in the time of performance of the Contract that do not alter the scope of the Contract work.

d. Adjustments of price or time for performance. If any modification increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, an adjustment shall be made and this Contract modified in writing accordingly. Any adjustment in contract price made pursuant to this clause shall be determined, where applicable, in accordance with the price adjustment clause of this Contract or as negotiated.

e. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if written modification of the Contract is not made prior to final payment under this Contract.

f. Claims not barred. In the absence of a written contract modification, nothing in this clause shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under this Contract or for a breach of contract.

g. CPO approval. If this is a professional services contract awarded pursuant to section 103D-303 or 103D-304, HRS, any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract which increases the amount payable to the CONTRACTOR by at least $25,000.00 or ten per cent (10%) of the initial contract price, whichever increase is higher, must receive the prior approval of the CPO.

h. Tax clearance. The STATE may, at its discretion, require the CONTRACTOR to submit to the STATE, prior to the STATE'S approval of any modification, alteration, amendment, change, or extension of any term, provision, or condition of this Contract, a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the CONTRACTOR have been paid.

i. Sole source contracts. Amendments to sole source contracts that would change the original scope of the Contract may only be made with the approval of the CPO. Annual renewal of a sole source contract for services should not be submitted as an amendment.

20. Change Order. The Agency procurement officer may, by a written order signed only by the STATE, at any time, and without notice to any surety, and subject to all appropriate adjustments, make changes within the general scope of this Contract in any one or more of the following:

(1) Drawings, designs, or specifications, if the goods or services to be furnished are to be specially provided to the STATE in accordance therewith;

(2) Method of delivery; or

(3) Place of delivery.

a. Adjustments of price or time for performance. If any change order increases or decreases the CONTRACTOR'S cost of, or the time required for, performance of any part of the work under this Contract, whether or not changed by the order, an adjustment shall be made and the Contract modified in writing accordingly. Any adjustment in the Contract price made pursuant to this provision shall be determined in accordance with the price adjustment provision of this Contract. Failure of the parties to agree to an adjustment shall not excuse the CONTRACTOR from proceeding with the Contract as changed, provided that the Agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the CONTRACTOR shall not be deemed to have prejudiced any claim for additional compensation, or any extension of time for completion.

b. Time period for claim. Within ten (10) days after receipt of a written change order under subparagraph 20a, unless the period is extended by the Agency procurement officer in writing, the CONTRACTOR shall respond with a claim for an adjustment. The requirement for a timely written response by CONTRACTOR cannot be waived and shall be a condition precedent to the assertion of a claim.

c. Claim barred after final payment. No claim by the CONTRACTOR for an adjustment hereunder shall be allowed if a written response is not given prior to final payment under this Contract.

d. Other claims not barred. In the absence of a change order, nothing in this paragraph 20 shall be deemed to restrict the CONTRACTOR'S right to pursue a claim under the Contract or for breach of contract.

21. Price Adjustment.

a. Price adjustment. Any adjustment in the contract price pursuant to a provision in this Contract shall be made in one or more of the following ways:

(1) By agreement on a fixed price adjustment before commencement of the pertinent performance or as soon thereafter as practicable;

(2) By unit prices specified in the Contract or subsequently agreed upon;

(3) By the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as specified in the Contract or subsequently agreed upon;

(4) In such other manner as the parties may mutually agree; or

(5) In the absence of agreement between the parties, by a unilateral determination by the Agency procurement officer of the costs attributable to the event or situation covered by the provision, plus appropriate profit or fee, all as computed by the Agency procurement officer in accordance with generally accepted accounting principles and applicable sections of chapters 3-123 and 3-126, HAR.

b. Submission of cost or pricing data. The CONTRACTOR shall provide cost or pricing data for any price adjustments subject to the provisions of chapter 3-122, HAR.

22. Variation in Quantity for Definite Quantity Contracts. Upon the agreement of the STATE and the CONTRACTOR, the quantity of goods or services, or both, if a definite quantity is specified in this Contract, may be increased by a maximum of ten per cent (10%); provided the unit prices will remain the same except for any price adjustments otherwise applicable; and the Agency procurement officer makes a written determination that such an increase will either be more economical than awarding another contract or that it would not be practical to award another contract.

23. Changes in Cost-Reimbursement Contract. If this Contract is a cost-reimbursement contract, the following provisions shall apply:

a. The Agency procurement officer may at any time by written order, and without notice to the sureties, if any, make changes within the general scope of the Contract in any one or more of the following:

(1) Description of performance (Attachment 1);

(2) Time of performance (i.e., hours of the day, days of the week, etc.);

(3) Place of performance of services;

(4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the STATE in accordance with the drawings, designs, or specifications;

(5) Method of shipment or packing of supplies; or

(6) Place of delivery.

b. If any change causes an increase or decrease in the estimated cost of, or the time required for performance of, any part of the performance under this Contract, whether or not changed by the order, or otherwise affects any other terms and conditions of this Contract, the Agency procurement officer shall make an equitable adjustment in the (1) estimated cost, delivery or completion schedule, or both; (2) amount of any fixed fee; and (3) other affected terms and shall modify the Contract accordingly.

c. The CONTRACTOR must assert the CONTRACTOR'S rights to an adjustment under this provision within thirty (30) days from the day of receipt of the written order. However, if the Agency procurement officer decides that the facts justify it, the Agency procurement officer may receive and act upon a proposal submitted before final payment under the Contract.

d. Failure to agree to any adjustment shall be a dispute under paragraph 11 of this Contract. However, nothing in this provision shall excuse the CONTRACTOR from proceeding with the Contract as changed.

e. Notwithstanding the terms and conditions of subparagraphs 23a and 23b, the estimated cost of this Contract and, if this Contract is incrementally funded, the funds allotted for the performance of this Contract, shall not be increased or considered to be increased except by specific written modification of the Contract indicating the new contract estimated cost and, if this contract is incrementally funded, the new amount allotted to the contract.

24. Confidentiality of Material.

a. All material given to or made available to the CONTRACTOR by virtue of this Contract, which is identified as proprietary or confidential information, will be safeguarded by the CONTRACTOR and shall not be disclosed to any individual or organization without the prior written approval of the STATE.

b. All information, data, or other material provided by the CONTRACTOR to the STATE shall be subject to the Uniform Information Practices Act, chapter 92F, HRS.

25. Publicity. The CONTRACTOR shall not refer to the STATE, or any office, agency, or officer thereof, or any state employee, including the HOPA, the CPO, the Agency procurement officer, or to the services or goods, or both, provided under this Contract, in any of the CONTRACTOR'S brochures, advertisements, or other publicity of the CONTRACTOR. All media contacts with the CONTRACTOR about the subject matter of this Contract shall be referred to the Agency procurement officer.

26. Ownership Rights and Copyright. The STATE shall have complete ownership of all material, both finished and unfinished, which is developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract, and all such material shall be considered "works made for hire." All such material shall be delivered to the STATE upon expiration or termination of this Contract. The STATE, in its sole discretion, shall have the exclusive right to copyright any product, concept, or material developed, prepared, assembled, or conceived by the CONTRACTOR pursuant to this Contract.

27. Liens and Warranties. Goods provided under this Contract shall be provided free of all liens and provided together with all applicable warranties, or with the warranties described in the Contract documents, whichever are greater.

28. Audit of Books and Records of the CONTRACTOR. The STATE may, at reasonable times and places, audit the books and records of the CONTRACTOR, prospective contractor, subcontractor, or prospective subcontractor which are related to:

a. The cost or pricing data, and

b. A state contract, including subcontracts, other than a firm fixed-price contract.

29. Cost or Pricing Data. Cost or pricing data must be submitted to the Agency procurement officer and timely certified as accurate for contracts over $100,000 unless the contract is for a multiple-term or as otherwise specified by the Agency procurement officer. Unless otherwise required by the Agency procurement officer, cost or pricing data submission is not required for contracts awarded pursuant to competitive sealed bid procedures.

If certified cost or pricing data are subsequently found to have been inaccurate, incomplete, or noncurrent as of the date stated in the certificate, the STATE is entitled to an adjustment of the contract price, including profit or fee, to exclude any significant sum by which the price, including profit or fee, was increased because of the defective data. It is presumed that overstated cost or pricing data increased the contract price in the amount of the defect plus related overhead and profit or fee. Therefore, unless there is a clear indication that the defective data was not used or relied upon, the price will be reduced in such amount.

30. Audit of Cost or Pricing Data. When cost or pricing principles are applicable, the STATE may require an audit of cost or pricing data.

31. Records Retention. The CONTRACTOR and any subcontractors shall maintain the books and records that relate to the Contract and any cost or pricing data for three (3) years from the date of final payment under the Contract.

32. Antitrust Claims. The STATE and the CONTRACTOR recognize that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the purchaser. Therefore, the CONTRACTOR hereby assigns to STATE any and all claims for overcharges as to goods and materials purchased in connection with this Contract, except as to overcharges which result from violations commencing after the price is established under this Contract and which are not passed on to the STATE under an escalation clause.

33. Patented Articles. The CONTRACTOR shall defend, indemnify, and hold harmless the STATE, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this Contract. The CONTRACTOR shall be solely responsible for correcting or curing to the satisfaction of the STATE any such infringement or improper or unauthorized use, including, without limitation: (a) furnishing at no cost to the STATE a substitute article, process, or appliance acceptable to the STATE, (b) paying royalties or other required payments to the patent holder, (c) obtaining proper authorizations or releases from the patent holder, and (d) furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

34. Governing Law. The validity of this Contract and any of its terms or provisions, as well as the rights and duties of the parties to this Contract, shall be governed by the laws of the State of Hawaii. Any action at law or in equity to enforce or interpret the provisions of this Contract shall be brought in a state court of competent jurisdiction in Honolulu, Hawaii.

35. Compliance with Laws. The CONTRACTOR shall comply with all federal, state, and county laws, ordinances, codes, rules, and regulations, as the same may be amended from time to time, that in any way affect the CONTRACTOR'S performance of this Contract.

36. Conflict Between General Conditions and Procurement Rules. In the event of a conflict between the General Conditions and the procurement rules, the procurement rules in effect on the date this Contract became effective shall control and are hereby incorporated by reference.

37. Entire Contract. This Contract sets forth all of the agreements, conditions, understandings, promises, warranties, and representations between the STATE and the CONTRACTOR relative to this Contract. This Contract supersedes all prior agreements, conditions, understandings, promises, warranties, and representations, which shall have no further force or effect. There are no agreements, conditions, understandings, promises, warranties, or representations, oral or written, express or implied, between the STATE and the CONTRACTOR other than as set forth or as referred to herein.

38. Severability. In the event that any provision of this Contract is declared invalid or unenforceable by a court, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms of this Contract.

39. Waiver. The failure of the STATE to insist upon the strict compliance with any term, provision, or condition of this Contract shall not constitute or be deemed to constitute a waiver or relinquishment of the STATE'S right to enforce the same in accordance with this Contract. The fact that the STATE specifically refers to one provision of the procurement rules or one section of the Hawaii Revised Statutes, and does not include other provisions or statutory sections in this Contract shall not constitute a waiver or relinquishment of the STATE'S rights or the CONTRACTOR'S obligations under the procurement rules or statutes.

40. Pollution Control. If during the performance of this Contract, the CONTRACTOR encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the CONTRACTOR shall immediately notify the STATE and all other appropriate state, county, or federal agencies as required by law. The Contractor shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the STATE determines that this Contract requires an adjustment of the time for performance, the Contract shall be modified in writing accordingly.

41. Campaign Contributions. The CONTRACTOR is hereby notified of the applicability of 11-205.5, HRS, which states that campaign contributions are prohibited from specified state or county government contractors during the terms of their contracts if the contractors are paid with funds appropriated by a legislative body.

42. Confidentiality of Personal Information.

a. Definitions.

"Personal information" means an individual's first name or first initial and last name in combination with any one or more of the following data elements, when either name or data elements are not encrypted:

(1) Social security number;

(2) Driver's license number or Hawaii identification card number; or

(3) Account number, credit or debit card number, access code, or password that would permit access to an individual's financial information.

Personal information does not include publicly available information that is lawfully made available to the general public from federal, state, or local government records.

"Technological safeguards" means the technology and the policy and procedures for use of the technology to protect and control access to personal information.

b. Confidentiality of Material.

(1) All material given to or made available to the CONTRACTOR by the STATE by virtue of this Contract which is identified as personal information, shall be safeguarded by the CONTRACTOR and shall not be disclosed without the prior written approval of the STATE.

(2) CONTRACTOR agrees not to retain, use, or disclose personal information for any purpose other than as permitted or required by this Contract.

(3) CONTRACTOR agrees to implement appropriate "technological safeguards" that are acceptable to the STATE to reduce the risk of unauthorized access to personal information.

(4) CONTRACTOR shall report to the STATE in a prompt and complete manner any security breaches involving personal information.

(5) CONTRACTOR agrees to mitigate, to the extent practicable, any harmful effect that is known to CONTRACTOR because of a use or disclosure of personal information by CONTRACTOR in violation of the requirements of this paragraph.

(6) CONTRACTOR shall complete and retain a log of all disclosures made of personal information received from the STATE, or personal information created or received by CONTRACTOR on behalf of the STATE.

c. Security Awareness Training and Confidentiality Agreements.

(1) CONTRACTOR certifies that all of its employees who will have access to the personal information have completed training on security awareness topics relating to protecting personal information.

(2) CONTRACTOR certifies that confidentiality agreements have been signed by all of its employees who will have access to the personal information acknowledging that:

(A) The personal information collected, used, or maintained by the CONTRACTOR will be treated as confidential;

(B) Access to the personal information will be allowed only as necessary to perform the Contract; and

(C) Use of the personal information will be restricted to uses consistent with the services subject to this Contract.

d. Termination for Cause. In addition to any other remedies provided for by this Contract, if the STATE learns of a material breach by CONTRACTOR of this paragraph by CONTRACTOR, the STATE may at its sole discretion:

(1) Provide an opportunity for the CONTRACTOR to cure the breach or end the violation; or

(2) Immediately terminate this Contract.

In either instance, the CONTRACTOR and the STATE shall follow chapter 487N, HRS, with respect to notification of a security breach of personal information.

e. Records Retention.

(1) Upon any termination of this Contract, CONTRACTOR shall pursuant to chapter 487R, HRS, destroy all copies (paper or electronic form) of personal information received from the STATE.

(2) The CONTRACTOR and any subcontractors shall maintain the files, books, and records, that relate to the Contract, including any personal information created or received by the CONTRACTOR on behalf of the STATE, and any cost or pricing data, for three (3) years after the date of final payment under the Contract. The personal information shall continue to be confidential and shall not be disclosed without the prior written approval of the STATE. After the three (3) year retention period has ended, the files, books, and records that contain personal information shall be destroyed pursuant to chapter 487R, HRS.

ATTACHMENT J
SPECIAL CONDITIONS

1. This *Contract* may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

2. Paragraph 1 – Coordination of Services by the STATE of the General Conditions is replaced by:

   Coordination of Services by the *Commission*. The head of the purchasing agency ("HOPA") (which term includes the designee of the HOPA) shall coordinate the services to be provided by the *Contractor* in order to complete the performance required in the Contract. The *Contractor* shall maintain communications with HOPA at all stages of the *Contractor's Work*, and submit to HOPA for resolution any questions which may arise as to the performance of this *Contract*. "Purchasing agency" as used in these General Conditions means and includes any governmental body which is authorized under chapter 103D, HRS, or its implementing rules and procedures, or by way of delegation, to enter into contracts for the procurement of goods or services or both.

3. Paragraph 2c. – Relationship of Parties; Independent Contractor Status and Responsibilities,Including Tax Responsibilities of the General Conditions is replaced by:

   c. The CONTRACTOR shall be responsible for the accuracy, completeness, and adequacy of the CONTRACTOR'S performance under this Contract.

4. Paragraph 5. – Conflicts of Interest of the General Conditions is replaced by:

   Conflict of Interest Provision: . The *Contractor* will administer the *Program* under and in accordance with the Organizational Conflict of Interest Mitigation Plan dated February 25, 2009 by employing the mitigation techniques contained therein to ensure that the *Contractor*'s role as the *Program Administrator* or its subcontractor's relationship with the *Program Administrator* and the *Contractor* and subcontractor(s) roles with the *Contract Manager* and *Fiscal Agent* does not give either of them an actual or perceived unfair competitive advantage in the bidding process or create a financial gain or bias for *Contractor* or its subcontractor(s) as a result of their relationship with the *Contract Manager* or the *Fiscal Agent*.

   If the *Contractor* or any of its subcontractors advises a customer to use performance contracting associated with and stemming directly from the *Program* being administered by the *Contractor* and the *Contractor* or its subcontractor desires to bid for that contract, the *Contractor* or its subcontractor shall notify the *Contract Manager* in advance of submitting a bid.

   The *Commission* and *State* agree and accept that all other efforts and projects (not associated or stemming from the *Program*) being performed by the *Contractor* and/or subcontractors shall not be considered a conflict of interest and no disclosure will be required. A sample of these non *Program* types of contracts/projects are Information Technical (IT), Software Projects, Architectural and Engineering (A&E) Services, Environmental Studies, and Design/Build Projects, if they are unrelated to any *Program* activity.

Contractor and its subcontractor(s) may engage in normal business activities and routine business interaction with the *Contract Manager* and the *Fiscal Agent* during the performance their duties, obligations, or interests under this contract for the Administration of the *Program*. These activities or any other activities directly related to this *Contract* will not create an actual or perceived unfair competitive advantage, financial gain or bias for the *Contractor* or its subcontractor's and their employees. However, the *Contractor* and subcontractor(s) shall not develop, pursue, or confirm any such conflicting beneficial, contractual, or business relationships outside the performance of this contract with the *Contract Manager* or the *Fiscal Agent* throughout the term of this *Contract*, and for 6 months thereafter, without the written permission of the *Commission*. *Contractor* is obligated to promptly and fully inform the *Commission* of any actual or perceived conflicts of interest in regard to conflicting beneficial, contractual, or business relationships on the part of either the *Contractor* or the subcontractor.

5. Paragraph 6 – Subcontracts and Assignments of the General *Conditions is replaced by:*

Subcontracts and Assignments. The *Contractor* may subcontract the performance of the *Contractor's* duties, obligations, or interests under this *Contract* without approval of the *Commission*, provided that the performance of the *Contractor's Work* under this *Contract* shall remain the sole responsibility of and under the sole control, management, and supervision of the *Contractor*. The *Contractor* shall be responsible for all matters involving any subcontractor engaged under this *Contract*, including contract compliance, performance and dispute resolution between itself and subcontractor(s). *Contractor* shall be responsible for all actions of subcontractor(s) and all payments to subcontractor(s). Failure of subcontractor(s) to perform for any reason does not relieve *Contractor* of responsibility for the competent and timely performance of its *Work*. The *Commission* shall have no responsibility for subcontractor(s)' compliance, performance, or dispute resolution hereunder. *Contractor* shall include in all subcontract agreements a tax clearance certificate from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the *Contractor's* assignee or subcontractor have been paid. Additionally, no assignment by the *Contractor* of the *Contractor's* right to compensation under this *Contract* shall be effective unless and until the assignment is approved by the Comptroller of the State of Hawaii, as provided in section 40-58, HRS.

a. Recognition of a successor in interest. When in the best interest of the *State*, a successor in interest may be recognized in an assignment contract in which the *Commission*, the *Contractor* and the assignee or transferee (hereinafter referred to as the "Assignee") agree that:

   (1) The Assignee assumes all of the *Contractor's* obligations; and

(2) The *Contractor* remains liable for all obligations under this *Contract* but waives all rights under this *Contract* as against the *Commission*.

b. Change of name. When the *Contractor* asks to change the name in which it holds this *Contract* with the *Commission*, the procurement officer of the purchasing agency (hereinafter referred to as the "Agency procurement officer") shall, upon receipt of a document acceptable or satisfactory to the Agency procurement officer indicating such change of name (for example, an amendment to the *Contractor's* articles of incorporation), enter into an amendment to this *Contract* with the *Contractor* to effect such a change of name. The amendment to this *Contract* changing the *Contractor's* name shall specifically indicate that no other terms and conditions of this *Contract* are thereby changed.

c. Reports. All assignment contracts and amendments to this *Contract* effecting changes of the *Contractor's* name or novations hereunder shall be reported to the chief procurement officer (CPO) as defined in section 103D-203(a), HRS, within thirty days of the date that the assignment contract or amendment becomes effective.

d. Actions affecting more than one purchasing agency. Notwithstanding the provisions of subparagraphs 6a through 6c herein, when the *Contractor* holds contracts with more than one purchasing agency of the *State*, the assignment contracts and the novation and change of name amendments herein authorized shall be processed only through the CPO's office.

6. Paragraph 7 – Indemnification and Defense of the General Conditions is replaced by:

Indemnification and Defense. The *Contractor* shall defend, indemnify, and hold harmless the State of Hawaii, the contracting agency, and their officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefore, as a result of the sole negligent or willful acts or omissions of the *Contractor* or the *Contractor's* employees, officers, agents, or subcontractors under this Contract

7. Paragraph 8 – Cost of Litigation of the General Conditions has replaced by:

Cost of Litigation. In case the *State* or *Commission* shall, without any fault on its part, be made a party to any litigation commenced by or against the *Contractor* in connection with this *Contract*, the *Contractor* shall pay all costs and expenses incurred by or imposed on the *State* or *Commission*, including attorneys' fees.

8. Paragraph 9 – Liquidated Damages of the General Conditions is deleted.

9. Paragraph 10 – STATE'S Right of Offset of the General Conditions has been replaced by:

Commission's Right of Offset. The *Commission* may offset against any monies or other obligations the *Commission* owes to the *Contractor* under this *Contract*, any amounts owed to the State of Hawaii by the *Contractor* under this *Contract* or pursuant to any law or other obligation owed to the State of Hawaii by the *Contractor*, including, without limitation, the payment of any taxes or levies of any kind or nature. The *Commission* will notify the *Contractor* in writing of any offset and the nature of such offset. For purposes of this paragraph, amounts owed to the State of Hawaii shall not include debts or obligations which have been liquidated, agreed to by the *Contractor*, and are covered by an installment payment or other settlement plan approved by the State of Hawaii, provided, however, that the *Contractor* shall be entitled to such exclusion only to the extent that the *Contractor* is current with, and not delinquent on, any payments or obligations owed to the State of Hawaii under such payment or other settlement plan.

10. Paragraph 12 – Suspension of Contract of the General Conditions has been replaced by:

Suspension of Contract. The *Commission* reserves the right at any time and for any reason to suspend this *Contract* for any reasonable period, upon written notice to the *Contractor* in accordance with the provisions herein.

a. Order to stop performance. The Agency procurement officer may, by written order to the *Contractor*, at any time, and without notice to any surety, require the *Contractor* to stop all or any part of the performance called for by this *Contract*. This order shall be for a specified period not exceeding sixty (60) days after the order is delivered to the *Contractor*, unless the parties agree to any further period. Any such order shall be identified specifically as a stop performance order issued pursuant to this section. Stop performance orders shall include, as appropriate: (1) A clear description of the work to be suspended; (2) Instructions as to the issuance of further orders by the *Contractor* for material or services; (3) Guidance as to action to be taken on subcontracts; and (4) Other instructions and suggestions to the *Contractor* for minimizing costs. Upon receipt of such an order, the *Contractor* shall forthwith comply with its terms and suspend all performance under this *Contract* at the time stated, provided, however, the *Contractor* shall take all reasonable steps to minimize the occurrence of costs allocable to the performance covered by the order during the period of performance stoppage. Before the stop performance order expires, or within any further period to which the parties shall have agreed, the Agency procurement officer shall either:

   (1) Cancel the stop performance order; or

   (2) Terminate the performance covered by such order as provided in the termination for default provision or the termination for convenience provision of this *Contract*.

b. Cancellation or expiration of the order. If a stop performance order issued under this section is cancelled at any time during the period specified in the order, or if the period of the order or any extension thereof expires, the *Contractor* shall have the right to resume performance. An appropriate adjustment shall be made in the delivery schedule or contract price, or both, and the *Contract* shall be modified in writing accordingly, if:

   (1) The stop performance order results in an increase in the time required for, or in the *Contractor* cost properly allocable to, the performance of any part of this *Contract*; and

(2) The *Contractor* asserts a claim for such an adjustment within thirty (30) days after the end of the period of performance stoppage; provided that, if the Agency procurement officer decides that the facts justify such action, any such claim asserted may be received and acted upon at any time prior to final payment under this *Contract*.

c. Termination of stopped performance. If a stop performance order is not cancelled and the performance covered by such order is terminated for default or convenience, the reasonable costs resulting from the stop performance order shall be allowable by adjustment or otherwise.

d. Adjustment of price. Any adjustment in contract price made pursuant to this paragraph shall be determined in accordance with the price adjustment provision of this *Contract*.

11. Paragraph 13b.– Termination for Default – Contractor's duties of the General Conditions is replaced by:

b. *Contractor* duties. Notwithstanding termination of the *Contract* and subject to any directions from the Agency procurement officer, the *Contractor* shall take timely, reasonable, and necessary action to protect and preserve property in the possession of the *Contractor* in which the *State* or *Commission* has an interest.

12. Paragraph 13c. – Termination for Default – Compensation of the General Conditions is replaced by:

c. Compensation. Payment for completed goods and services delivered and accepted by the *Commission* shall be at the price set forth in the *Contract*. Payment for the protection and preservation of property shall be in an amount agreed upon by the *Contractor* and the Agency procurement officer. If the parties fail to agree, the Agency procurement officer shall set an amount subject to the *Contractor's* rights under chapter 3-126, HAR. The *Commission* may withhold from amounts due the *Contractor* such sums as the Agency procurement officer deems to be necessary to protect the *State* or *Commission* against loss because of outstanding liens or claims and to reimburse the *State* or *Commission* for the excess costs expected to be incurred by the *State* or *Commission* in procuring similar goods and services.

13. Paragraph 13d. – Termination for Default – Excuse for nonperformance or delayed performance of the General Conditions is deleted.

14. Paragraph 13e. – Termination for Default - Erroneous termination for default of the General Conditions is replaced by:

e. Erroneous termination for default. If, after notice of termination of the CONTRACTOR'S right to proceed under this paragraph, it is determined for any reason that the CONTRACTOR was not in default under this paragraph, the rights and obligations of the parties shall be the same as if the notice of termination had been issued pursuant to paragraph 14.

15. Paragrah 14 – Termination for Convenience of the General Conditions is replaced by:

Termination for Convenience.

a. Termination. The Agency procurement officer may, when the interests of the *State* or *Commission* so require, terminate this *Contract* in whole or in part, for the convenience of the *State* or *Commission*. The Agency procurement officer shall give written notice of the termination to the *Contractor* specifying the part of the *Contract* terminated and when termination becomes effective.

b. *Contractor's* obligations. The *Contractor* shall incur no further obligations in connection with the terminated performance and on the date(s) set in the notice of termination the *Contractor* will stop performance to the extent specified. The *Contractor* shall also terminate outstanding orders and subcontracts as they relate to the terminated performance. The *Contractor* shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated performance subject to the *Commission's* approval. The Agency procurement officer may direct the *Contractor* to assign the *Contractor's* right, title, and interest under terminated orders or subcontracts to the *Commission*. The *Contractor* must still complete the performance not terminated by the notice of termination and may incur obligations as necessary to do so.

c. Right to goods and work product. The Agency procurement officer may require the *Contractor* to transfer title and deliver to the *Commission* in the manner and to the extent directed by the Agency procurement officer:

(1) Any completed goods or work product; and

(2) The partially completed goods and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called "manufacturing material") as the *Contractor* has specifically produced or specially acquired for the performance of the terminated part of this *Contract*.

The *Contractor* shall, upon direction of the Agency procurement officer, protect and preserve property in the possession of the *Contractor* in which the *Commission* has an interest. If the Agency procurement officer does not exercise this right, the *Contractor* shall use best efforts to sell such goods and manufacturing materials. Use of this paragraph in no way implies that the *Commission* has breached the *Contract* by exercise of the termination for convenience provision.

d. Compensation.

(1) The *Contractor* shall submit a termination claim specifying the amounts due because of the termination for convenience, submitted to the extent required by chapter 3-122, HAR, bearing on such claim. If the *Contractor* fails to file a termination claim within one year from the effective date of

termination, the Agency procurement officer may pay the *Contractor*, if at all, an amount set in accordance with subparagraph 14d(3) below.

(2) The Agency procurement officer and the *Contractor* may agree to a settlement provided the *Contractor* has filed a termination claim that the settlement does not exceed the total *Contract* price plus settlement costs reduced by payments previously made by the *Commission*, the proceeds of any sales of goods and manufacturing materials under subparagraph 14c, and the *Contract* price of the performance not terminated.

(3) Absent complete agreement under subparagraph 14d(2) the Agency procurement officer shall pay the *Contractor* the following amounts, provided payments agreed to under subparagraph 14d(2) shall not duplicate payments under this subparagraph for the following:

(A) Costs incurred in preparing to perform and performing the terminated portion of the performance plus a fair and reasonable profit on such portion of the performance, such profit shall not include anticipatory profit or consequential damages, however, that if it appears that the *Contractor* would have sustained a loss if the entire *Contract* would have been completed, no profit shall be allowed or included and the amount of compensation shall be reduced to reflect the anticipated rate of loss;

(B) Costs of settling and paying claims arising out of the termination of subcontracts or orders pursuant to subparagraph 14b. These costs must not include costs paid in accordance with subparagraph 14d(3)(A);

(C) The reasonable settlement costs of the *Contractor*, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the *Contract* and for the termination of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to the terminated portion of this *Contract*. The total sum to be paid the *Contractor* under this subparagraph shall not exceed the total *Contract* price plus the reasonable settlement costs of the *Contractor* reduced by the amount of payments otherwise made, the proceeds of any sales of supplies and manufacturing materials under subparagraph 14d(2), and the contract price of performance not terminated.

16. Paragraph <u>15(4) – Claims Based on the Agency Procurement Officer's Actions or Omissions – Claim must be justified</u> of the General Conditions is replaced by:

(4) <u>Claim must be justified.</u> The *Contractor* must maintain and, upon request, make available to the Agency procurement officer within a reasonable time, detailed records to the extent practicable, and other documentation and evidence satisfactory to the *Commission*, justifying the claimed additional costs or an extension of time in connection with such changes.

17. Paragraph 18 – Federal Funds of the General Conditions is deleted.

18. Paragraph 19a – Modifications of Contract – In writing of the General Conditions is replaced by:

    a. In writing. Any modification, alteration, amendment, change, or extension of any term, provision, or condition of this *Contract* permitted by this *Contract* shall be made by written amendment to this *Contract*, signed by the *Contractor* and the *Commission*, provided that change orders shall be made in accordance with paragraph 20 herein.

19. Paragraph 19i – Modifications of Contract - Sole source contracts of the General Conditions is deleted.

20. Paragraph 19h – Modifications of Contract – Tax clearance of the General Conditions is replaced by:

    h. Tax clearance. The *Commission* may, at its discretion, require the *Contractor* to submit to the *Commission*, prior to the *Commission's* approval of any modification, alteration, amendment, change, or extension of any term, provision, or condition of this *Contract*, a tax clearance from the Director of Taxation, State of Hawaii, and the Internal Revenue Service, U.S. Department of Treasury, showing that all delinquent taxes, if any, levied or accrued under state law and the Internal Revenue Code of 1986, as amended, against the *Contractor* have been paid.

21. Paragraph 20 – Change Order of the General Conditions is replaced by:

Change Order. The Agency procurement officer may, by a written order signed only by the *Commission*, at any time, and without notice to any surety, and subject to all appropriate adjustments, make changes within the general scope of this *Contract* in any one or more of the following:

(1) Drawings, designs, or specifications, if the goods or services to be furnished are to be specially provided to the *Commission* in accordance therewith;

(2) Method of delivery; or

(3) Place of delivery.

a. Adjustments of price or time for performance. If any change order increases or decreases the *Contractor's* cost of, or the time required for, performance of any part of the work under this *Contract*, whether or not changed by the order, an adjustment shall be made and the *Contract* modified in writing accordingly. Any adjustment in the *Contract* price made pursuant to this provision shall be determined in accordance with the price adjustment provision of this *Contract*. Failure of the parties to agree to an adjustment shall not excuse the *Contractor* from proceeding with the *Contract* as changed, provided that the Agency procurement officer promptly and duly makes the provisional adjustments in payment or time for performance as may be reasonable. By proceeding with the work, the *Contractor* shall not be deemed to have prejudiced any claim for additional compensation, or any extension of time for completion.

b. Time period for claim. Within ten (10) days after receipt of a written change order under subparagraph 20a, unless the period is extended by the Agency procurement officer in writing, the *Contractor* shall respond with a claim for an adjustment. The requirement for a timely written response by *Contractor* cannot be waived and shall be a condition precedent to the assertion of a claim.

c. Claim barred after final payment. No claim by the *Contractor* for an adjustment hereunder shall be allowed if a written response is not given prior to final payment under this *Contract*.

d. Other claims not barred. In the absence of a change order, nothing in this paragraph 20 shall be deemed to restrict the *Contractor's* right to pursue a claim under the *Contract* or for breach of contract.

22. Paragraph 21b – Price Adjustment, Submission of cost or pricing data of the General Conditions is deleted.

23. Paragraph 22 – Variation in Quantity for Definite Quantity Contracts of the General Conditions has been replaced by:

Variation in Quantity for Definite Quantity Contracts. Upon the agreement of the *Commission* and the *Contractor*, the quantity of goods or services, or both, if a definite quantity is specified in this *Contract*, may be increased by a maximum of ten per cent (10%); provided the unit prices will remain the same except for any price adjustments otherwise applicable; and the Agency procurement officer makes a written determination that such an increase will either be more economical than awarding another contract or that it would not be practical to award another contract.

24. Paragraph 23a – Changes in Cost-Reimbursement Contract of the General Conditions is replaced by:

The Agency procurement officer may at any time by written order, and without notice to the sureties, if any, make changes within the general scope of the *Contract* in any one or more of the following:

(1) Description of performance (Attachment 1);

(2) Time of performance (i.e., hours of the day, days of the week, etc.);

(3) Place of performance of services;

(4) Drawings, designs, or specifications when the supplies to be furnished are to be specially manufactured for the *Commission* in accordance with the drawings, designs, or specifications;

(5) Method of shipment or packing of supplies; or

(6) Place of delivery.

25. Paragraph 24 – Confidentiality of Material of the General Conditions is replaced by:

Confidentiality of Material.

a. All material given to or made available to the *Contractor* by virtue of this *Contract*, which is identified as proprietary or confidential information, will be safeguarded by the *Contractor* and shall not be disclosed to any individual or organization without the prior written approval of the *Commission*. For purposes of this section *Contractor* includes *Contractor's* staff, counsel, and any consultants retained by the *Contractor* that need to view any such proprietary or confidential information for the purposes of performing the *Work* under this *Contract*.

b. All information, data, or other material provided by the *Contractor* to the *Commission* shall be subject to the Uniform Information Practices Act, chapter 92F, HRS.

26. Paragraph 25 – Publicity of the General Conditions is replaced by:

Publicity. Unless approved by the *State*, the *Contractor* shall not refer to the *State*, or any office, agency, or officer thereof, or any state employee, including the HOPA, the CPO, the Agency procurement officer, or to the services or goods, or both, provided under this *Contract*, in any of the *Contractor's* brochures, advertisements, or other publicity of the *Contractor*.

27. Paragraph 26 – Ownership Rights and Copyright of the General Conditions is replaced by:

Intellectual Property

(a) The *State* and *Contractor* shall each retain ownership of, and all right, title and interest in and to, their respective, pre-existing Intellectual Property (as hereinafter defined), and no license therein, whether express or implied, is granted by this *Contract* or as a result of the *Work*. To the extent the parties wish to grant to the other rights or interests in pre-existing Intellectual Property, separate license agreements on mutually acceptable terms will be executed.

(b) *Contractor* grants to the *State* a royalty-free, paid up, worldwide, perpetual, non-exclusive, non-transferable license to use any *Contractor* Intellectual Property incorporated in any Deliverable, solely for the *State's* use of that Deliverable for its internal business purposes. *Contractor* shall retain ownership of and unrestricted right to use any Intellectual Property produced pursuant to this *Contract*.

(c) As used herein, "Intellectual Property" shall mean inventions (whether or not patentable), works of authorship, trade secrets, techniques, know-how, ideas, concepts, *algorithms, and other intellectual property incorporated in any Deliverable and first created or developed by doing the* ***Work****, provided that "Intellectual Property" shall not include any materials, ideas, concepts, or branding related to the marketing of the* ***Contractor's Work****.*

28. Paragraph 28 – Audit of Books and Records of the CONTRACTOR of the General Conditions is deleted:

29. Paragraph 29 – Cost or Pricing Data of the General Conditions is deleted.

30. Paragraph 30 – Audit of Cost or Pricing Data of the General Conditions is deleted.

31. Paragraph 31 – Records Retention of the General Conditions is replaced by:

    Records Retention. The *Contractor* and any subcontractors shall maintain the books and records that relate to the *Contract* for three (3) years from the date of final payment under the *Contract*.

32. Paragraph 32 – Antitrust Claims of the General Conditions is deleted:

33. Paragraph 33 – Patented Articles of the General Conditions is replaced by:

    Patented Articles The *Contractor* shall defend, indemnify, and hold harmless the *State* and *Commission*, and its officers, employees, and agents from and against all liability, loss, damage, cost, and expense, including all attorneys fees, and all claims, suits, and demands arising out of or resulting from any claims, demands, or actions by the patent holder for infringement or other improper or unauthorized use of any patented article, patented process, or patented appliance in connection with this *Contract*. The *Contractor* shall be solely responsible for correcting or curing to the satisfaction of the *State* and *Commission* any such infringement or improper or unauthorized use, including, without limitation: (a) furnishing at no cost to the *State* and *Commission* a substitute article, process, or appliance acceptable to the *State* and *Commission*, (b) paying royalties or other required payments to the patent holder, (c) obtaining proper authorizations or releases from the patent holder, and (d) furnishing such security to or making such arrangements with the patent holder as may be necessary to correct or cure any such infringement or improper or unauthorized use.

34. Paragraph 37 – Entire Contract of the General Conditions is deleted.

35. Paragraph 39 – Waiver of the General Conditions is replaced by:

    Waiver. The failure of the *Commission* to insist upon the strict compliance with any term, provision, or condition of this *Contract* shall not constitute or be deemed to constitute a waiver or relinquishment of the *Commission's* right to enforce the same in accordance with this *Contract*. The fact that the *Commission* specifically refers to one provision of the procurement rules or one section of the Hawaii Revised Statutes, and does not include other provisions or statutory sections in this *Contract* shall not constitute a waiver or relinquishment of the *Commission's* rights or the *Contractor's* obligations under the procurement rules or statutes.

36. Paragraph 40 – Pollution Control of the General Conditions is replaced by:

Pollution Control. If during the performance of this Contract, the *Contractor* encounters a "release" or a "threatened release" of a reportable quantity of a "hazardous substance," "pollutant," or "contaminant" as those terms are defined in section 128D-1, HRS, the *Contractor* shall immediately notify the *Commission* and all other appropriate state, county, or federal agencies as required by law. The *Contractor* shall take all necessary actions, including stopping work, to avoid causing, contributing to, or making worse a release of a hazardous substance, pollutant, or contaminant, and shall promptly obey any orders the Environmental Protection Agency or the state Department of Health issues in response to the release. In the event there is an ensuing cease-work period, and the Commission determines that this *Contract* requires an adjustment of the time for performance, the *Contract* shall be modified in writing accordingly.

37. The following sections are added to the General Conditions:

43. Responsibility of Parties Upon Expiration or Termination of Contract. Upon expiration or termination of this *Contract*, *Contractor* shall provide reasonable transition assistance as requested by the *Commission* to the *Commission* and any entity designated by the *Commission* to ensure that the functions of the *Program Administrator* are continuously carried out without interruption. In such event, *Contractor* agrees to use all reasonable efforts to mitigate its expenses and obligations hereunder.

44. Committed Incentive Payments. It is expected that, on the expiration or termination date of this *Contract*, the *Contractor* will have outstanding contracts for customer incentive payments. The *Contractor* shall be relieved of those obligations, and responsibility for them will be assigned to the new entity serving as the *Program Administrator*, provided the *Contractor* gives the *Contract Manager* a full accounting of any such outstanding contracts for incentive payments and such amounts are approved by the *Contract Manager*.

45. Waiver or Modification of Contract Terms by Commission. Upon the reasonable request of *Contractor* and for good cause shown, the *Commission* shall have the right and authority in its sole discretion to waive or modify provisions of the *Contract* to the extent that such waiver or modification would be beneficial to the overall Hawaii Energy Efficiency Program, so long as any such waivers or modifications are not inconsistent with Hawaii State Law.

46. Force Majeure. The *Contractor* shall not be in default by reason of any failure in performance or ability to meet the Performance Target Levels of this *Contract* in

accordance with its terms, including any failure by the *Contractor* to make progress in the prosecution of the performance hereunder which endangers such performance, if the *Contractor* has notified the *Contract Manager* within fifteen (15) days after the Contractor has knowledge, or should have had knowledge, that a failure is likely to occur and failure arises out of any of the following causes: acts of God; acts of a public enemy; acts of the State and any other governmental body in its sovereign or contractual capacity; fires; floods; natural disasters; epidemics; quarantine restrictions; strikes or other labor disputes; freight embargoes; or unusually severe weather. If the failure to perform is caused by the failure of a subcontractor to perform or to make progress, and if such failure arises out of causes similar to those set forth above, the *Contractor* shall not be deemed to be in default, unless the goods and services to be furnished by the subcontractor were reasonably obtainable from other sources in sufficient time to permit the *Contractor* to meet the requirements of the *Contract*. Upon request of the *Contractor*, the *Contract Manager* shall ascertain the facts and extent of such failure, and, if the *Contract Manager* determines that any failure to perform was occasioned by any one or more of the excusable causes, and that, but for the excusable cause, the *Contractor's* progress and performance would have met the terms of the *Contract*, the delivery schedule, performance awards or other compensation may be revised accordingly, upon the recommendation of the Contract Manager and approval by the Commission. As used in this paragraph, the term "subcontractor" means subcontractor at any tier.

47. Severe Economic Factors Beyond the Reasonable Control of Contractor. In the event that severe economic conditions substantially beyond the reasonable control of *Contractor* cause public, governmental or corporate behavioral changes (including diminished investment in energy efficiency and conservation measures) that have a significant negative impact on *Contractor's* ability to meet Performance Target Levels under this Agreement, the *Commission* may, in its sole discretion, excuse such failure to meet the Performance Target Levels. If the *Commission* determines that performance should be excused in whole or in part under this paragraph , the *Commission* may negotiate with *Contractor* to adjust the Performance Awards and other Compensation so as to reflect a mutually agreed upon reasonable and fair compensation to *Contractor* for its *Work* during the period of time so affected. In exercising the provisions of this paragraph, the *Commission* may, in its sole discretion, also agree with *Contractor* to revise the Programs and Incentives being offered as may be mutually agreed upon to be fair and appropriate

48. No Employee Benefits for *Contractor*. The *Contractor* understands that the Commission will not provide *Contractor* or *Contractor's* employees or subcontractors with any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, Workers Compensation or other benefits or services available to *State* employees, nor will the *State* withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of this *Contract*. The *Contractor*

understands that all tax returns required by the Internal Revenue Code and the *State*, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the *Contractor*, and information as to contract income will be provided by the *State* to the Internal Revenue Service and Hawaii Department of Taxation.

49. Reliance by *State* on Representations. All payments by the *Fiscal Agent* under this *Contract* will be made in reliance upon the accuracy of all prior representations by the *Contractor*, including but not limited to bills, invoices, progress reports and other proofs of work.

    The *State* may set off any sums which the *Contractor* owes the *State* against any sums due the *Contractor* under this *Contract*; provided, however, that any set off of amounts due the *State* as taxes shall be in accordance with the procedures more specifically provided hereinafter.

50. Taxes Due to the *State*.
    a. *Contractor* understands and acknowledges responsibility, if applicable, for compliance with *State* tax laws, including income tax withholding for employees performing services within the *State*, payment of use tax on property used within the *State*, and corporate and/or personal income tax on income earned within the *State*.

    b. *Contractor* certifies that, as of the date this *Contract* is signed, the *Contractor* is in good standing with respect to, or in full compliance with a plan to pay, any and all taxes due the *State*.

    c. *Contractor* understands that final payment under this *Contract* may be withheld if the Hawaii Department of Taxation determines that the *Contractor* is not in good standing with respect to, or in full compliance with a plan to pay, any and all taxes due to the *State*.

    d. *Contractor* also understands the *State* may set off taxes (and related penalties, interest and fees) due to the *State*, but only if the *Contractor* has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the *Contractor* has no further legal recourse to contest the amounts due.

51. Suspension of Payment to Contractor. In addition to other remedies, the *Commission* reserves the right to suspend all payments to *Contractor* if required reports are not provided to the *Commission* or its designated representatives on a timely basis as specified in Attachment A; if there are continuing deficiencies in *Contractor*'s reporting, record keeping or invoicing responsibilities and requirements; or if the performance of the *Work* is not adequately evidenced.

52. No Resale. *Contractor* will not buy materials for performance of this *Agreement* and resell to the *State* at a profit.

53. Limitations on Loan Guarantees. The *Contractor* may not itself guarantee, nor pledge any *Program* funds to guarantee, any loans obtained by customers to finance energy efficiency projects that are part of the *Work*. The *Contractor* may work to identify other organizations or agencies that are willing to guarantee such loans.

54. Other. The parties recognize that major changes in funding or responsibilities for the *Contractor* may occur during the period of the *Contract*. When any such changes are adopted by the *State* or made by Hawaii State Law, the *Contractor* and the *Commission* agree to enter into negotiations and to reopen this *Contract*, to the extent necessary, to accommodate such changes. Under no circumstances will any negotiations pursuant to this Paragraph result in an extension of the time the *Contractor* will serve under this *Contract*, unless agreed to by the *Contractor* and the *Commission* in writing.

Attachment K
TIME OF PERFORMANCE

This Contract, which commences on the Effective date, shall be a multi-year contract ending on December 31, 2013. The CONTRACT may be extended for an additional three year period, or any part thereof, if mutually agreed upon in writing prior to contract expiration. The State may terminate the extended contract period at anytime, if in the best interest of the State.

Attachment L
CONTRACTOR'S ACKNOWLEDGMENT

STATE OF TENNESSEE)
) SS.
COUNTY OF KNOX)

On this 5TH day of MARCH, 2009 before me appeared BRENDA J. YOUNG and ______, to me known, to be the person(s) described in and, who, being by me duly sworn, did say that he/she/they is/are CONTRACTS MANAGER and ______ of Science Applications International Corporation, the CONTRACTOR named in the foregoing instrument, and that he/she/they is/are authorized to sign said instrument on behalf of the CONTRACTOR, and acknowledges that he/she/they executed said instrument as the free act and deed of the CONTRACTOR.

(Notary Seal) JASON PACE STATE OF TENNESSEE NOTARY PUBLIC KNOX COUNTY

(Signature)

BRENDA J. YOUNG
(Print Name)

Notary Public, State of TENNESSEE
My commission expires: 10-2-2011

Doc. Date: MARCH 3, 2009 # Pages: 86
Notary Name: JASON PACE ______ Circuit
Doc. Description: CONTRACT FOR SERVICES

Notary Signature 3-5-2009 Date
NOTARY CERTIFICATION

(Notary Seal) JASON PACE STATE OF TENNESSEE NOTARY PUBLIC KNOX COUNTY

ATTACHMENT M
CONTRACTOR'S
STANDARDS OF CONDUCT DECLARATION

For the purposes of this declaration:

"Agency" means and includes the State, the legislature and its committees, all executive departments, boards, commissions, committees, bureaus, offices; and all independent commissions and other establishments of the state government but excluding the courts.

"Controlling interest" means an interest in a business or other undertaking which is sufficient in fact to control, whether the interest is greater or less than fifty per cent (50%).

"Employee" means any nominated, appointed, or elected officer or employee of the State, including members of boards, commissions, and committees, and employees under contract to the State or of the constitutional convention, but excluding legislators, delegates to the constitutional convention, justices, and judges. (Section 84-3, HRS).

On behalf of Science Applications International Corporation, CONTRACTOR, the undersigned does declare as follows:

1. CONTRACTOR ☐ is* ☒ is not a legislator or an employee or a business in which a legislator or an employee has a controlling interest. (Section 84-15(a), HRS).
2. CONTRACTOR has not been represented or assisted personally in the matter by an individual who has been an employee of the agency awarding this Contract within the preceding two years and who participated while so employed in the matter with which the Contract is directly concerned. (Section 84-15(b), HRS).
3. CONTRACTOR has not been assisted or represented by a legislator or employee for a fee or other compensation to obtain this Contract and will not be assisted or represented by a legislator or employee for a fee or other compensation in the performance of this Contract, if the legislator or employee had been involved in the development or award of the Contract. (Section 84-14 (d), HRS).
4. CONTRACTOR has not been represented on matters related to this Contract, for a fee or other consideration by an individual who, within the past twelve (12) months, has been an agency employee, or in the case of the Legislature, a legislator, and participated while an employee or legislator on matters related to this Contract. (Sections 84-18(b) and (c), HRS).

CONTRACTOR understands that the Contract to which this document is attached is voidable on behalf of the STATE if this Contract was entered into in violation of any provision of chapter 84, Hawaii Revised Statutes, commonly referred to as the Code of Ethics, including the provisions which are the source of the declarations above. Additionally, any fee, compensation, gift, or profit received by any person as a result of a violation of the Code of Ethics may be recovered by the STATE.

*Reminder to Agency: If the "is" block is checked and if the Contract involves goods or services of a value in excess of $10,000, the Contract must be awarded by competitive sealed bidding under section 103D-302, HRS, or a competitive sealed proposal under section 103D-303, HRS. Otherwise, the Agency may not award the Contract unless it posts a notice of its intent to award it and files a copy of the notice with the State Ethics Commission. (Section 84-15(a), HRS).

CONTRACTOR

By Brenda J Yoong
(Signature)

Print Name BRENDA J. YOONG

Print Title CONTRACTS MANAGE

Name of Contractor SAIC

Date 3/5/09

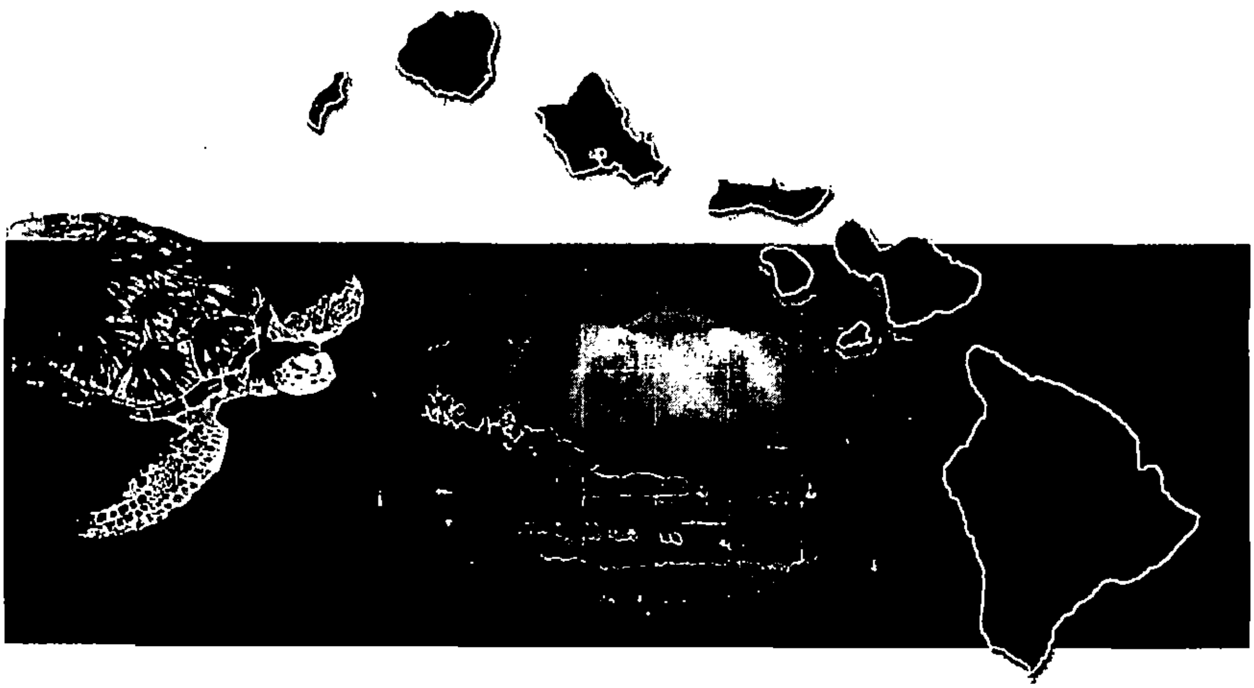
ATTACHMENT N
WORK PLAN

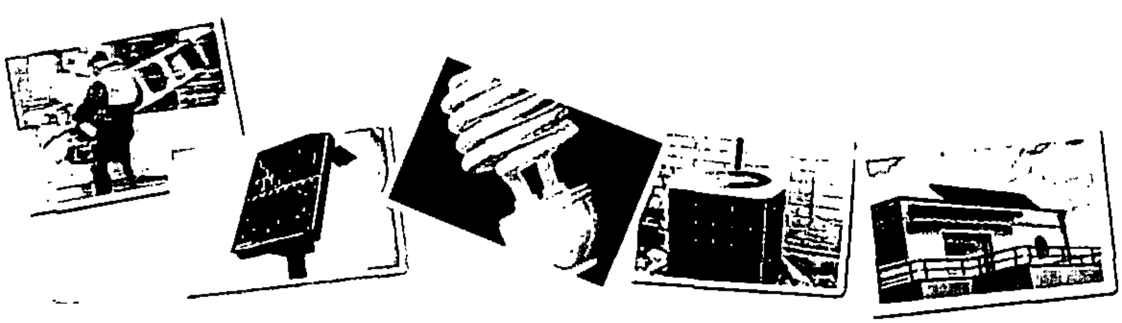
1. *Contractor* Implementation Work Plan ("Work Plan"), which upon mutual agreement and execution by *Contractor* and the *Contract Manager*, will be binding on *Contractor* as if fully executed concurrently with this *Contract*.

2. The Work Plan shall outline and describe the timeline and estimated hours to complete tasks and deliverables for the period beginning at contract execution date, March 3, 2009 through June 30, 2009. In addition, the *Contractor* and *Contract Manager* may mutually agree to include significant tasks that are described in Attachment A – Scope of Services.

From Science to Solutions™

Hawai'i Energy Efficiency Program
Annual Plan
Program Year 2009





Submitted to: Hawaii Public Utilities Commission

Submitted by: Science Applications International Corp.
3049 Ualena St., Suite 600
Honolulu, HI 96819

May 1, 2009

SAIC.
From Science to Solutions

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SAIC.
From Science to Solutions

1.0 INTRODUCTION

The Hawai`i Public Utilities Commission (Commission or PUC) has selected SAIC as the Program Administrator for the full portfolio of energy efficiency programs under the Hawai`i Energy Efficiency Program (HEEP) that are currently operated by, and funded through through the HECO Companies' electric rates. These programs are a portion of the overall Hawai`i Clean Energy Initiative (HCEI) that is encouraging the adoption of efficiency and renewable energy resources throughout the State. Beginning July 1, 2009, SAIC will take over full administration of the existing portfolio of HEEP programs and will, during the first program year, introduce new programs and program elements to expand upon the State's past efficiency activities and to respond to the state's increasing need to reduce its reliance on fossil fuel generation and other HCEI and Commission-identified goals.

This first Annual Plan (Plan) provides SAIC's strategies and plans for administration and delivery of the HEEP portfolio for Program Year 2009 (July 1, 2009 to June 30, 2010). Through this plan we will set forth our overall strategies to increase program participation, maximize energy savings from projects, and encourge the development of energy efficiency and renewable solar energy markets. The major elements of our program execution to be addressed in this Plan are detailed below.

- **Successful transition** of existing HECO Companies' programs to SAIC. SAIC will work in concert with the HECO Companies to ensure that existing program participants are served in a timely fashion. A successful transition will minimize confusion in the marketplace.

- **Well-designed program offerings** that will supplement existing program components. SAIC will establish a strong technical advisory boards that include local stakeholders with a detailed and long-term understanding of State energy, economic, and regulatory issues. We will integrate input from local providers of services, including local subcontractors, to ensure that program offerings not only meet the State's needs, but integrate well with other services – including the incoming federal stimulus dollars.

- **Outreach and marketing strategies** that use local markets, associations and channel partners to maximize participation and develop programs that complement, not compete with, business activities in the energy arena.

- **Streamlined management and IT systems** that will allow SAIC to deliver program savings at a lower cost; thus maximizing the impact of all program dollars.

This Plan represents a roadmap of SAIC's anticipated activities during PY2009 and may change in response to economic conditions, market forces, and legislative or Commission requirements. In total, the HEEP portfolio will provide significant benefits to the State that may be augmented with additional investments made possible by federal stimulus dollars that will be available to a variety of sectors.

Exhibit 1-1, below, summarizes the benefits of our delivery of the HEEP portfolio of programs to the State. In addition to the benefits that the Commission anticipates by selecting SAIC as the Program Adminstrator, such as higher savings at a lower cost, our program provides added value through the benefits noted below.

SAIC. From Science to Solutions

Exhibit 1-1: Benefits to the State

	Benefits
Social	• Improved environment • More disposable income for low income and other residents • Building communities strength & cohesion – increased participation, self-reliance, and innovation
Environmental	• Less fossil emissions, better health • Protect land and natural resources • Less greenhouse gases emitted
Economic	• Increased local energy reliance, less price/supply risk • More consumer choice • Less power plant investment • Lower energy bills • More energy efficiency, renewable & other jobs • Higher productivity and GDP • Green and Eco-Tourism

The focus of our first-year is the successful transition of programs that will result in the benefits outlined above. Our program design plan overall will incorporate elements that will encourage the achievement of the State's policy goals, including: protecting the environment, contributing to climate solutions, generating renewable energy industries, and creating well-paying jobs.

As further demonstrated through this Plan, SAIC's program delivery will increase the overall program cost effectiveness through streamlining processes, maximizing IT integration, and redesigning quality assurance processes.

2.0 PORTFOLIO DESIGN APPROACH

As an island state, Hawai'i has a unique set of energy circumstances that present challenges and opportunities for optimizing the impact of energy efficiency programs. SAIC's portfolio design approach integrates proven program processes that we have successfully employed in other states with approaches to target issues specific to Hawai'i. For instance, the rapidly rising cost of its primary fuel and subsequent electricity cost fluctuation is one unique characteristic that needs consideration for successful program design. As demonstrated through this Plan, SAIC will provide early adoption of many new technologies and programs that recognize the urgency of controlling the rise in energy prices and the resulting environmental impacts from the use of electricity.

Our design approach also includes the flexibility to respond to both a strained economy and to the upcoming infusion of federal stimulus dollars to the State. With regards to the potential federal stimulus funds targeted for energy efficiency promotion we believe it is critical to coordinate efforts throughout the state to offer complimentary approachs. Without this coordination with the HEEP program from potential other state, city and county agency energy efficiency programs the overall effectiveness for the state will be greatly reduced in part from a potentially high level of market confusion. SAIC's overall strategic approach to portfolio design will provide the structure to best optimize the needed shift in program evolution and capture the marketing opportunities and the leveraging of funds that will maximize the outcome of the investments of all residents of Hawai`i.

2.1 Energy Optimization Goals and Objectives

SAIC's overall strategy is to bring the proven program solutions that have worked in other states together with the innovative solutions that local market providers understand will work best in Hawai`i. Our strategy captures and combines the embedded knowledge of the local markets while infusing the program with creative, yet proven approaches that we have successfully implemented in other programs across the country. As a result, our Plan includes aggressive goals for energy savings throughout the HECO Companies'service territories. Table 2-1 summarizes our energy savings goals for each sector for the first two program years.

Table 2-1
Energy Savings Goals

	Net Savings Goal			
	PY 2009		PY 2010	
	kW	MWh	kW	MWh
Residential	n/a	68,722	n/a	71,245
Business	n/a	57,301	n/a	61,370
Total	20,097	126,023	23,126	132,615

We will be reaching these goals while using only 6% of the budget for admnistration of the programs. Implementing the programs will use 25% of the budget while 69% of the budget will be used to provide direct incentives to the customer to influence their decisions to buy more efficient products. The use of 69% of the budget for direct incentives is one of the highest levels in the country for these types of programs.

Overarching Objectives

All efficiency programs have the standard goal to reduce energy use and demand for electricity as cost-effectively as possible, although some programs place more importance on energy use reduction than demand reduction. The Commission's overall objectives are incorporated in SAIC's goals for the programs. We have exceeded similar goals with many other programs throughout the country. The overall objectives that the programs will serve are discussed below.

1) *Maximize net benefits with cost-effective and comprehensive energy programs*

SAIC is working in cooperation with the PUC's Contract Manager to develop a mutually agreed upon target for Total Resource Benefit (TRB) goals for the program. TRB is the estimated total net present value (PV) of the avoided cost for the utility from the reduced kW capacity and kWh energy from energy efficiency projects over the life of the projects. See Section 4.3 for details on the TRB calculations. Included with SAIC's goals are the cost-effective delivery of energy savings as identified in Table 2-1. Table 2-2, below, provides the estimated Total Resource Benefit that we estimate that we will achieve during the first *program year. These figures represent the present value of program benefits derived from* avoided generation of electricity.

Table 2-2
Present Values of Total Resource Benefits

	PV Avoided Energy	PV Avoided Capacity	Total Resource Benefit
REWH	$ 4,716,102	$ 2,883,580	$ 7,599,682
RNC	$ 4,980,672	$ 2,541,642	$ 7,522,314
ESH	$ 54,285,857	$ 22,330,821	$ 76,616,678
RLI	$ 2,102,281	$ 1,160,903	$ 3,263,184
CIEE	$ 13,918,180	$ 7,976,760	$ 21,894,940
CINC	$ 25,393,291	$ 15,269,310	$ 40,662,601
CICR	$ 25,500,592	$ 12,751,813	$ 38,252,404
New C&I	$ 8,430,420	$ 4,100,607	$ 12,531,027
Total All Programs			$ 208,342,831

Final adoption of a TRB goal will depend on a number of factors, including the accepted HECO Companies' values for avoided energy and capacity costs throughout the life of measures incentivized through the programs.

2) *Work with all key markets to increase their energy efficiency activity*

SAIC will employ an approach that requires the participation and feedback of the markets. This approach is the use of "channels" for market providers and "clusters" for end-users. Each channel (i.e., lighting) and cluster (i.e., office buildings) has it is own unique market barriers and opportunities. As discussed in detail below, by using channel and cluster approaches, we optimally engage the key markets to provide multiple program benefits. These include:

- Continual feedback to provide better program offerings.
- Engaging the market providers and end-use cluster associations (i.e., BOMA) to communicate and market the program intent and offerings to the customers.
- Using the market providers and end-use cluster groups to support modification and design of new programs.
- Building a sense of ownership of the programs by market providers and cluster associations.

To quantify our market transformation activities, SAIC includes the following goals for Program Year 2009 as provided in our contract:

- 20 emerging technology projects completed
- 40 program applications received from Program Allies

These goals are chosen specifically to encourage market participation and to increase the adoption of non-standard efficiency upgrades throughout the State.

3) *Capturing "lost opportunity" markets*

Potential lost opportunities are particularly possible in an energy market place as dynamic as Hawai`i. Energy costs are rising quickly causing efficiency project economics to also change rapidly. It is important to track continually what types of measures and in which markets new incentives may be desirable. SAIC will work closely with the local markets to target projects in their early stages to maximize the potential for energy savings and to identify opportunities for new or innovative energy solutions.

4) *Broad and fair distribution of program funds across customer classes and regions*

The Commission requires that SAIC provide an equitable distribution of incentives and savings across the three participating utility service territories. Our design approach includes methods of reaching customers throughout the participating service territories as cost-effectively as possible. During PY 2009 we will deploy a combination of local hires and subcontract labor strategically across the islands to achieve this goal of island equity. To ensure all areas are receiving equitable funding, we will track the payments for incentives by utility. This practice will provide information to support changes to program strategies and program emphasis to correct any regional or demographic inequities.

The geographic distribution of program funds can be more straightforward and controllable; however, it is important for each sector and island to have a marketing strategy in place that best fits its needs. These tailored and targeted marketing strategies which fit with the cluster and channel approaches will help ensure that sufficient customer classes in a region will participate.

Figure 2-1
HECO Companies and Distribution of Savings

	MWh	Incentives	% of Total
HECO	97,472	$ 9,000,898	69%
HELCO	15,932	$ 1,471,243	11%
MECO	27,179	$ 2,509,798	19%
Total	140,584	$ 12,981,939	

As part of this overarching goal of broad and fair distribution of funds, SAIC is cognizant that we must ensure that the low-income and hard-to-reach customers will have access to program incentives. SAIC will include in its design several program features that target those sectors. Specific features are included within this Plan in Section 7.

5) *Consumer Marketing, Public Information and Education*

One of the largest potential energy efficiency and energy reduction opportunities is through behavioral changes. There is considerable wasted energy through behaviors such as leaving lights on when no one is in the room, using space heaters in offices to compensate for unbalanced air-condintioning systems, and using air-conditioning systems during unoccupied times. Some of this wasted energy can be corrected by using automatic controls such as an occupancy sensor. But the potentially most cost effective approach is to change actual consumer behavior around energy use. With Hawaii's unique energy situation including the high use of oil to generate electricity and our isolated geograpy we feel that there is an opportunity to further inspire consumers on behavioral changes they can and should make to "be a part of the solution" for the islands. Our approach to nurture this inspiration is through targeted marketing, educational information, and piloting the use of technology that can give the consumer instant feedback on their use of energy. Once customers have this instant feedback on their energy use it opens up many opportunities to inspire and influence their consumption decisions by making the use of energy a visual, *tangible, and meaningful part of their lives. Impacting behavioral changes is a newer* approach for DSM programs, but because of the significant potential we will continue to develop methods to impact behavior and may develop this into a separate formal program offering.

2.2 Deemed Savings Assumptions

In developing this plan, SAIC, in consultation with the Contract Manager, has used the HECO Companies' assumptions for energy savings as presented in their Evaluation Report for 2005 to 2007[1]. For new measures, we have referenced the California DEER database for San Diego. Summary information is included in Appendix A.

2.3 Portfolio Risk Management

Hawai'i's limited energy resource mix and its resultant price volatility, combined with the negative economic impact of a troubled tourist industry provides a unique backdrop to the design and delivery of efficiency programs. SAIC's task is to balance the need to introduce new program elements and encourage alternative energy resources with cost-effective implementation of measures that will limit negative impact on electric rates. SAIC recognizes this challenge and is developing a balanced portfolio of programs to provide opportunities for broad participation and incorporate new or innovative technologies for all customer classes.

SAIC will use the following strategies to minimize the risks associated with its portfolio of energy efficiency programs:

- Implementing primarily "tried and true" programs that have been successfully implemented by utilities and state-operated programs across the country.
- Using measures quantified in the Evaluation Report as the starting point for estimating program savings.
- Initiating program evaluation activities during the program design phase to ensure that appropriate data is gathered throughout implementation to get appropriate feedback on program progress, and to allow any needed fine-tuning to occur as soon as possible.

2.4 HECO Companies' Program Transition

HECO currently administers efficiency programs for its ratepayers. Those currently existing programs represent the "core" programs that SAIC will administer effective July 1, 2009. The Core programs consist of the following initiatives:

- Residential Programs

[1] *Energy and Peak Demand Impact Evaluation Report of the 2005-2007 Demand Side Management Programs.* KEMA, December, 2008.

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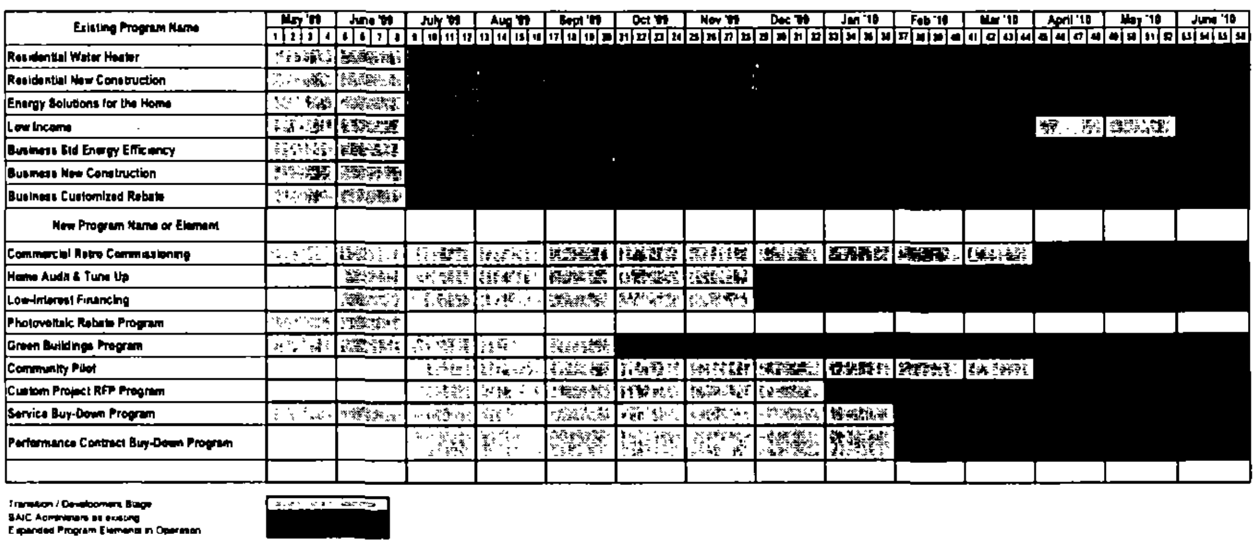
- o Residential Water Heater Program
- o Residential New Construction
- o Energy Solutions for the Home

- Business Programs
  - o Business Standard Energy Efficiency (CIEE)
  - o Business New Construction (CINC)
  - o Business Customized Rebate (CICR)

- Low-Income/Hard to Reach Customer Programs

SAIC's short-term goal for PY2009 is the smooth hand-off of program administration from the HECO Companies to SAIC. To focus on the administrative details required to execute that transition, SAIC will keep the core programs largely intact and at existing incentive levels on the July 1 date. Beginning July 1 and for the remainder of PY2009, SAIC will phase in the introduction of enhanced program elements and new programs to the HEEP portfolio. Figure 2-2 shows the planned transition of the major program elements.

Figure 2-2
Timeline of Program Development and Transition



The accomplishment of this transition schedule is dependent on the successful transfer of information and data from the HECO Companies and Honeywell systems to SAIC. We anticipate that we will receive the necessary information and data to test our systems by June 1, 2009 with the required updates through July 1. Knowledge to be transferred includes:

- Program guidelines for each of the core programs,
- Detailed listing of all applications pending and commitments in place,
- Program leads or project "pipeline."

Concurrent with the transfer of administrative duties to SAIC, we will also develop new programs and elements that will enhance the existing core programs. Elements to be designed during PY2009 include:

- **Commercial Retro-Commissioning** will provide trained HVAC contractors to provide tune-ups and offer low-cost upgrades to building systems that will improve their overall operating efficiency.
- **Home Audit and Tune Up** will be provided as an enhancement to Energy Solutions for the Home. This program element will provide homeowners with a holistic approach to their home's energy consumption and will offer comprehensive guidance to prioritize energy capital improvements.
- **Residential and Small Business Low Interest Financing** will help homeowners and small business owners finance energy improvements.
- **Photovoltaic Rebate Program** will reduce the up-front cost to install PV systems. SAIC will design and analyze a potential program with a goal of having a full program available during Program Year 2011. Feedback from suppliers indicates a strong need to provide a program much earlier if possible for them to maintain their businesses.
- **Green Buildings Program** will be an enhancement to the New Construction Program that will encourage the inclusion of green and sustainable design features into both commercial and residential construction projects.
- **Community Pilot Project** will provide an innovative approach to program delivery by engaging entire communities in neighborhood energy efficiency.
- **Custom Project RFP Program** will allow special and unique opportunities to receive funding through a competitive process.
- **Service Buy-Down Program** will reduce the cost of energy efficiency services such as air-conditioning tune-ups, compressed air leak surveys, etc.
- **Performance Contract Buy-Down Program** will encourage the participation of third-party energy project implementation through savings-based performance contracts.

SAIC will actively engage HECO Companies' staff during the program transition period to ensure smooth transfer of programs. We anticipate for the initial months of delivery under SAIC many of the core programs will be unchanged or receive only minor adjustments. SAIC will ensure that all program delivery systems (e.g., data, forms, incentive processing, etc.) are working as planned before introducing significant program changes.

3.0 PROGRAM PORTFOLIO SUMMARY

SAIC's Plan includes a mix of programs for residential and business customers, while including large end-use customers in the government and insitutional sectors. Figure 3-1 despicts the overall structure of the HEEP program portfolio.

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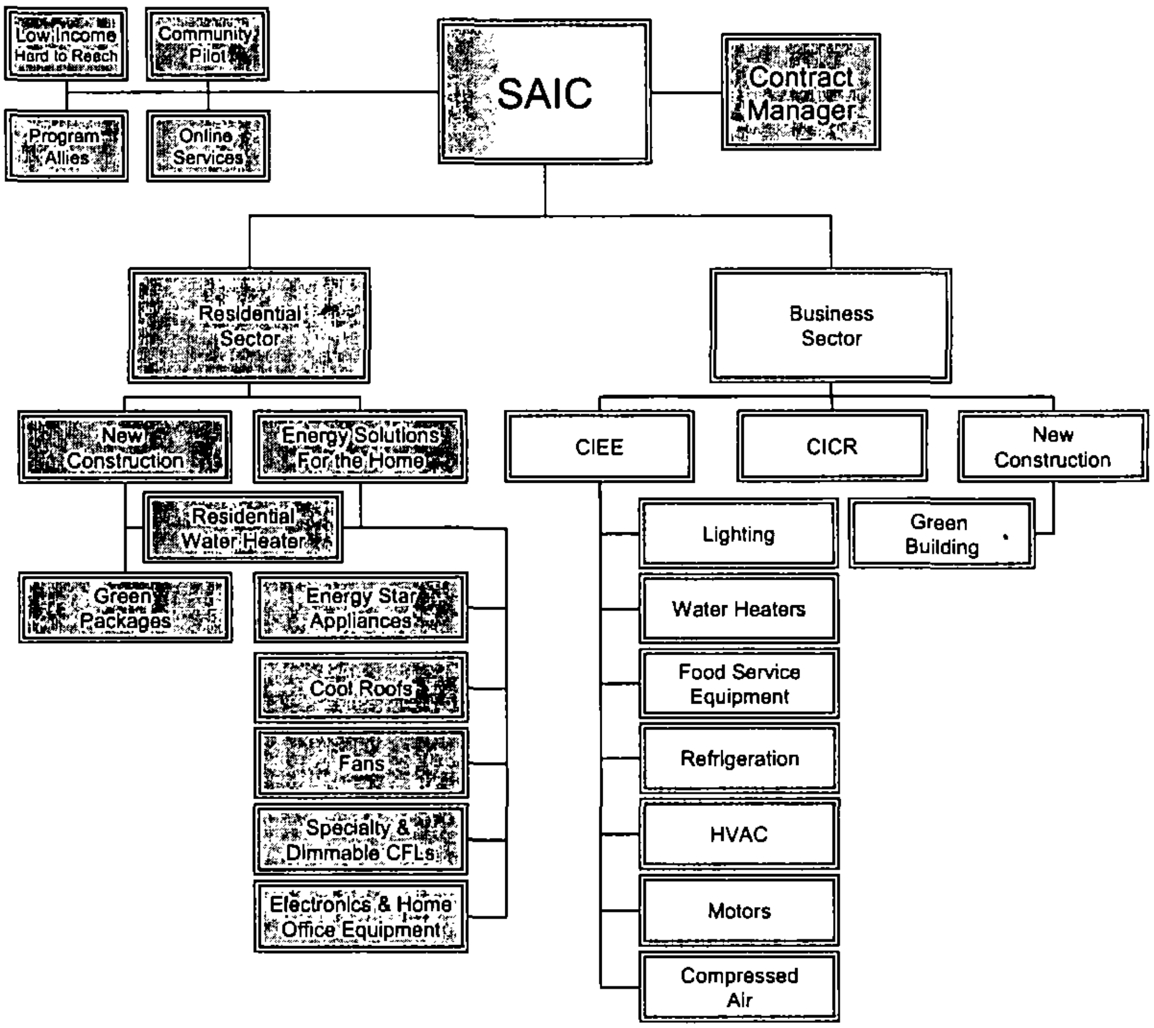
Figure 3-1
Structure of HEEP Portfolio of Programs



Our overall plan for portfolio delivery includes a program shift from the existing focus on prescriptive rebates to the introduction of holistic approaches to building energy efficiency for both the business and residential sectors. For example, program additions or changes will include audits and system tune-ups, financial incentives to service equipment, and an increased focus on green building and sustainable energy features. The remainder of this Section includes a brief overview of the individual program elements and a transition timeline with major events and due dates for each sector.

3.1 RESIDENTIAL PROGRAMS

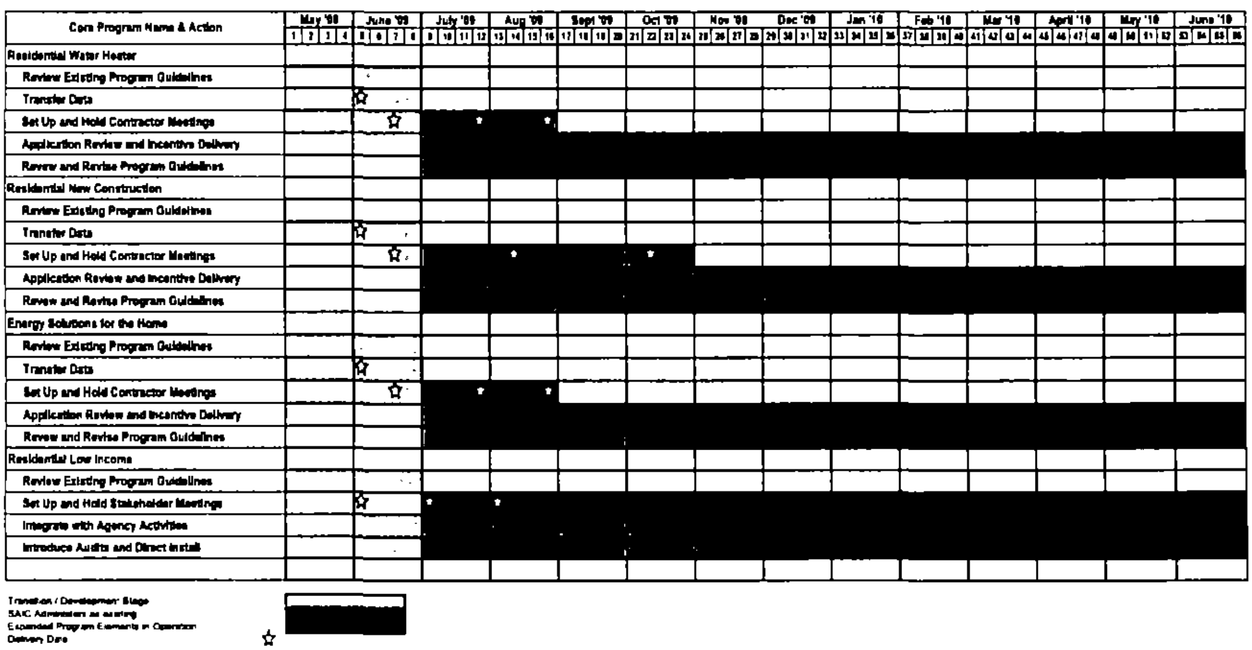
SAIC will work with, and maximize the impact of, existing local resources to encourage participation across the entire residential sector through coordination with groups and organizations that serve this sector. We will form partnerships with neighborhood boards, condominium associations, community action agencies, and the Office of Community Services in the Hawai'i Dept of Labor and Industrial Relations and Hawai'i's Housing and Urban

Development (HUD) office to maximize the benefit of both the program dollars and federal stimulus money that will be targeted to Hawai`i's low-income residences. Further, we will coordinate with the business programs to reach military housing projects in a cost-effective manner.

As noted above, our portfolio of programs will shift away from standard rebate programs to incorporate audits and tune ups. SAIC will create a bridge between our residential and business programs by targeting specific towns or neighborhoods for a community-wide tune-up. That tune-up will include audits and direct installations for both residences and small businesses. These activities will increase public awareness and foster the idea that energy *efficiency, protection and conservation of resources, and reduced dependence on foreign oil are* public benefits necessary to the well being of Hawai`i. Details and explanation regarding our projected marketing and customer information strategies are included in Sections 5 through 9 of this Plan.

During the transition period, SAIC will work closely with HECO to learn existing program procedures and protocols. To facilitate a smooth transfer of administration, SAIC intends to maintain all programs in their current state on July 1, 2009 and make program adjustments, changes, and/or enhancements in a three to six month timeframe. Our estimated transition plan for the residential sector is described in Figure 3-1, below.

Figure 3-1
Transition of Residential Programs



A brief description of each of the initially proposed residential programs with key additions or changes is included below.

Residential Water Heater Program (REWH). The objective of the Residential Water Heater Program is to promote the use of solar water heating and high efficiency electric water heaters to customers in existing residential dwellings. There are two separate components to the existing HECO program. They are:

Solar Water Heaters - Customers select an installer from an extensive list of HECO pre-approved contractors. That contractor receives a $1,000 incentive that is passed on to the end-use customer as an instant rebate.
High Efficiency Electric Water Heaters – HECO provides a rebate for the purchase of a qualifying model after receipt of a mail-in application.

SAIC will use the existing network of program allies to market and deliver the program. We will attempt to maintain current incentive levels as much as possible. However, the high level of incentive and the past levels of participation severly impact the portfolio's cost effectiveness. At a simple cost effectives of $0.48/(annual kWh saved) to continue with the current Solar Water Heater program our plan would need to use 27% of our incentive budget to only achieve 4% of the savings goal. To maintain the $1,000 level of incentive and provide this incentive at the historical levels of participation, it is imperative that we also provide significant savings from the promotion of very cost effective ($0.01/kWh) screw-in CFL's. We will further discuss the promotion of screw-in CFL's in the section on residential ESH program. Even with the promotion of screw-in CFL's we may need to place a limit on the number of applications accepted for Solar Water Heater incentives at their current level. We are also considering the program option of reducing the incentive level in 6 to 12 months to more closely align the cost effectiveness with other measures in the programs Any adjustments to incentive levels will be vetted with the market in advance.

Further programmatic enhancements may include changes to eligibility criteria to increase savings, and opportunities for providing low-interest financing for measure installation. Outreach and coordination efforts with key allies will include the Solar Technical Advisory Group (Solar TAG); solar contractors; suppliers; government and housing agencies; financial institutions; housing, apartment, and contractor associations.

Residential New Construction (RNC). SAIC proposes to keep the HECO Companies' current delivery mechanism and water heating incentives in place for the first three months of program operations and will review the costs and benefits of adding a number of additional financial incentives. Among the ENERGY STAR® rated technologies that will be reviewed for program inclusion are:

- Compact fluorescent indoor and outdoor fixtures,
- Decorative and dimmer CFL lamps,
- Refrigerators, dishwashers, washers, dryers,
- Foundation insulation,
- Cool roofs,
- Attic and whole house fans,
- Windows and/or reflective film,
- Heat pumps, and central air conditioning systems.

With input from housing and builders associations, trade allies and industry players to determine the appropriate modifications to the program, SAIC will offer a menu of incentives that can provide builders (or homeowners that build their own homes) a flexible approach to incorporating some or all of these technologies. If necessary, SAIC will work with product manufacturers to ensure availability of high efficiency products and appliances.

SAIC will incorporate an incentive mechanism to reward builders who achieve one, two, three or four stars under the Hawai`i Built Green Program or LEED Certification.

Energy Solutions for the Home (ESH). SAIC plans to shift the program's focus from an entirely prescriptive rebate program to one that includes whole building approaches to energy efficiency and service buy-downs for residential customers. We will continue the existing rebate structure for the first three to six months of the program and evaluate incentive levels and additional measures for program inclusion in October 2009. At that time, SAIC will also begin to offer a residential audit pilot and a service buy-down component to the program. If successful, we plan to offer that audit pilot as a stand-alone program in PY 2010.

During the period leading up to October, SAIC will explore the economic feasibility of expanding residential incentives for a number of cost-effective high efficiency measures, including whole house and attic fans, high reflectivity roofs, ENERGY STAR® home electronics, office equipment and appliances that are not currently included in the rebate program.

Air conditioner tune-ups would be provided through a list of pre-approved heating, ventilation and air conditioning (HVAC) contractors. Scope of work and cost schedules would be negotiated with the contractors, and provided on a cost-shared basis with participants. Low-income customers would receive tune-ups at no cost.

3.2 Business Programs

SAIC will incorporate a delivery process that includes working with local program allies networking with customer-based groups to develop cost-effective programs that will meet program energy goals for the business sector. This approach is defined in greater detail in Section 10 (Implementation and Delivery Approach).

As in the residential programs, SAIC will move existing offerings from standard prescriptive rebates to more comprehensive services that include retrocommissioning services, service buy-downs for tune ups, building energy audits, and custom rebates.

In recognition of the infusion of federal stimulus money for efficiency programs and building projects, SAIC will work cooperatively with state and local governments to ensure that we do not duplicate services available through the Energy Efficiency and Conservation Block Grants and other sources; instead, we seek to maximize the impact of this unique opportunity to leverage funds for energy investments.

During the transition period, SAIC will work closely with HECO to learn existing program procedures and protocols. To facilitate a smooth transfer of administration, SAIC intends to maintain all programs in their current state on July 1, 2009 and make program adjustments, changes, and/or enhancements in a three to six month timeframe. Our estimated transition plan for the business sectors is described in Figure 3-2, below.

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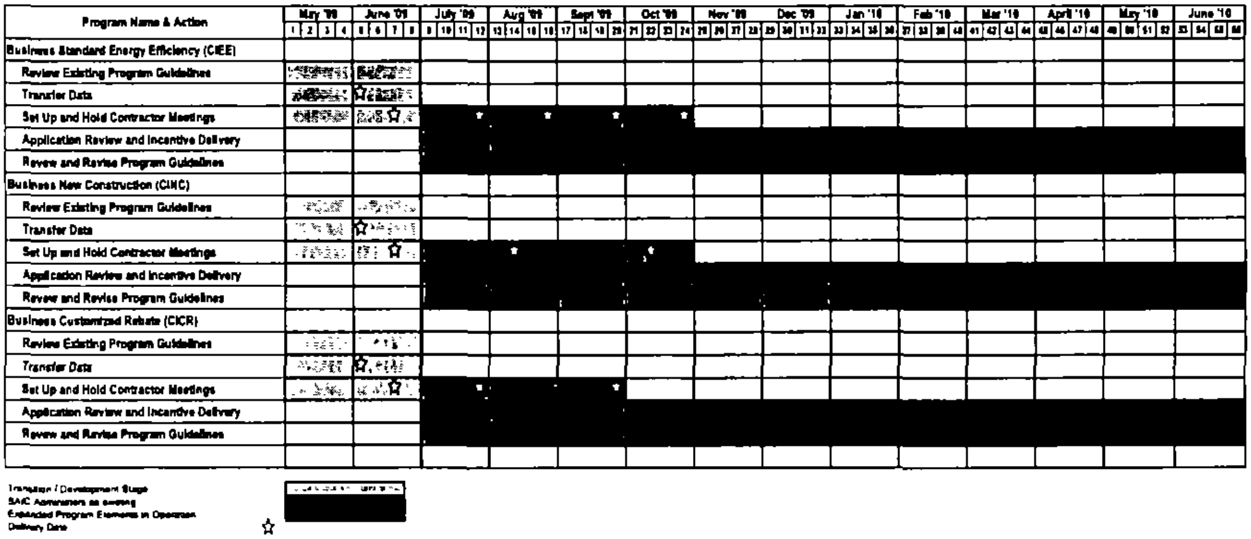
Figure 3-2
Transition of Business Programs



The following business efficiency programs are described in more detail in Section 6.

Commercial and Industrial Energy Efficiency (CIEE). SAIC will continue HECO's prescriptive rebates for the business sector beginning July 1 and will evaluate program activity and cost-effectiveness after a three-month period. After that time, we will add new measures and technologies for incentives and may adjust existing incentive levels. Additional prescriptive technologies will include

- compressed air systems,
- variable frequency drives (VFDs),
- Guest Room Energy Management (GREM) systems and
- lighting controls.

SAIC will determine cost-effective incentive amounts for potential new measures and incorporate them into the existing program by October 2009.

Although all commercial, institutional, government and industrial sector customers will be eligible under this program, SAIC will target markets that have high energy savings potential in lighting, cooling, and ventilation such as offices, hotels/resorts, retail, restaurants, and schools. We will also target similar industry sector businesses with high savings potential in motors, pumping and processes. SAIC will coordinate with government entities to ensure that projects undertaken through federal stimulus dollars are taking advantage of incentives to increase project efficiency.

SAIC will develop a pool of program allies who will be trained in program requirements and who will be the primary delivery mechanism for this program. These allies will consist of equipment vendors and installers who will benefit from their customers' participation in the program through increased sales and customer goodwill. We anticipate that HECO account representatives will also assist in identifying large customers with the potential for significant energy savings.

Commercial and Industrial New Construction (CINC). The New Construction Program (CINC) will provide technical project assistance, financial incentives and training opportunities to building owners and design teams. This program will offer a combination of prescriptive and custom incentives and design assistance to ensure that new construction and expansion projects take advantage of opportunities to achieve the highest achievable energy efficiency potential, and may include assistance to achieve a recognized green building standard (e.g., LEED, GreenGlobes, etc.).

SAIC will adjust the program baseline energy use to coincide with new Hawai`ian energy code that will be in effect within the next few months. This new baseline will be in effect for the program beginning July 1. We will use a combination of prescriptive and comprehensive, or whole building, incentives for eligible projects. While the prescriptive incentives will likely line up with those for existing buidings (see the CIEE program), the actual energy savings for those measures may differ because of the change in the baseline. Whole building incentives will be offered on a tiered basis to encourage higher levels of building efficiency. We anticipate developing tiered incentive levels based on increased levels of performance above an established baseline.

SAIC will seek local energy simulation modelers to analyze building designs and calculate *potential energy savings and incentives. Those services will be made available to building* owners on a cost-shared basis. However, SAIC may also offer those services to program participants if we are unable to identify a sufficient pool of experienced modelers locally.

As is the case with the other business programs, all commercial, institutional, government and industrial sector customers will be eligible under this program. The program targets specific new construction markets with high energy savings potential in lighting, cooling and ventilation for commercial market segments such as offices, hotels/resorts, retail, restaurants, and schools; and with high savings potential in motors, pumping, and industrial processes for the industrial sector. Potential measures to be included for incentives through this program include compressed air systems, heat recovery, variable frequency drives (VFDs), controls, and renewable energy systems such as photovoltaic, solar thermal, SWACS, and biogas recovery.

SAIC will network and develop relationships with the key market players, generally architects and developers, to understand the markets and decision points, and how to leverage program incentives and design assistance for their customers. In addition, we will look for opportunities to leverage federal stimulus money in new construction projects.

Commercial and Industrial Customized Rebate (CICR). This program will provide a custom application for businesses to receive incentives for installing non-standard energy efficiency technologies. The intent of this program is to enable customers to invest in energy efficiency improvements that may require calculations of energy savings for specific, unique applications. Incentive awards will be based on calculated savings that will be established to ensure program cost-effectiveness. We anticipate that common custom technologies will include Variable Frequency Drives (VFDs), for process applications; air conditioning system upgrades, such as controls and change-outs; process heat recovery, booster pumps, and process efficiency.

All commercial, institutional, government and industrial sector customers will be eligible under this program, but we will target specific markets with high energy savings potential. SAIC plans to use this program framework as a mechanism to provide incentives for opportunities that are identified under whole building, retro-commissioning, or other comprehensive services for existing facilities. We believe that it is important to maintain a flexible avenue to access incentives for non-standard or advanced technologies.

SAIC will recruit allies and energy service providers who typically serve these markets to deliver the Program incentives to their customers. We will require pre-approval of incentives prior to equipment installation to ensure program cost-effectiveness. We will actively train program allies and service providers in program processes and requirements through various training approaches including local breakfast and lunch meetings. SAIC will also investigate the feasibility of providing sales allies direct incentives, based on performance. Where possible, SAIC will seek out and develop synergistic relationships with relevant associations that have a strong market presence.

SAIC will establish an application and review procedure for full program rollout on July 1. Future program changes may include a change in the incentive level from $0.05/kWh to $0.07/kWh.

3.3 Low Income/Hard to Reach Program

Members of the low-income and hard-to-reach population are eligible to participate in other programs designed for their overall sectors. To encourage participation, SAIC will make many of the services available to these targeted population at no cost. For example, audits that will be available at a fee to residential customers will be offered free-of-charge to income-qualifying households.

SAIC will also make a targeted effort to reach out to hard-to-reach populations through community-based outreach activities and through cooperation with agencies that serve Hawai`I's low-income households.

A brief description of programs serving these groups is provided below, with a detailed description of each program in Section 7.

Residential Low Income Program (RLI). SAIC will work with the Office of Community Services (OCS) and other agencies or stakeholders to develop an infrastructure for delivery of services to the low-income population. Initial discussions with local providers indicate that statewide weatherization efforts have not been supplemented by utility funding in the past and limited budgets have afforded a small level of service to end users. SAIC is awaiting further information on the disposition of over $4 million in federal stimulus money that will be targeted to the Weatherization Assistance Program (WAP) in Hawai`i. The OCS has issued an RFP to Community Action Program (CAP) agencies and other public entities that is due on 5/7/09. After that date, SAIC will have the necessary information to develop a robust program for Hawai`i's low-income customers. We anticipate that program options may include:

- Funding proposals made to OCS (i.e., only those in excess of their funding capabilities);
- Introducing discrete additions to the WAP program (e.g., audits and auditor training, direct installation of measures such as CFLs, water heater blankets, refrigerator change-outs, etc.)

SAIC anticipates supplementing current low-income program activities through March 2010 and developing a full, stand-alone low-income program for roll-out beginning June, 2010.

Renters of Individually Metered Housing Units. SAIC's residential offerings (Residential Low Income and Energy Solutions for Homes (ESH) programs) will be made available to this sub-sector. We will encourage participation through aggressive outreach campaigns to renters, including the neighborhood efficiency campaigns and through program allies and local housing associations. The ESH program will offer incentives for select prescriptive products that will reduce energy consumption and still be readily transported to a new unit if the program applicant relocates. Eligible equipment targeted to this customer class will generally be ENERGY STAR® rated and may include:

- Dimmable and specialty CFLs
- Room air conditioners
- LED lighting
- Home office and electronic equipment

SAIC will target this portion of the residential market through cooperation with neighborhood, apartment and housing associations, community groups, direct mailings, participation in local events, etc.

Individually metered low-income, multi-family customers will be eligible for services through the targeted neighborhood energy program and possibly through the Residential Low Income Program.

Master-Metered Low-Rise, Multi-Family Housing. This subsector of residential customers offers many of the same challenges and barriers to participation that renters in individually metered units provide. In this case, however, the tenants do not pay their own utility bills and, therefore, do not always have a direct incentive to participate. For this group, SAIC can provide assistance and incentives to the building owners directly through ESH and the Residential Efficient Water Heating (REWH) programs.

We will use the programs and delivery strategies as identified above (Renters of Individually Metered Housing Units) to reach this customer sub-sector. Additionally, SAIC will explore during PY 2009 the potential energy savings and cost effectiveness that can be achieved through switching units to either submeters or individual meters. Our experience in other states has shown significant (sometimes 30 percent) energy savings when the energy users pay for their consumption directly.

Small Commercial Direct-Installation Program. SAIC will develop a program to target the hard-to-reach market of small businesses (one with fewer than 50 employees). This program will produce, long-term annual demand and energy savings by providing no-cost energy-efficient equipment retrofits to small business owners. This program will also provide training and jobs for individuals in economically disadvantaged areas. The program will target underserved communities by using a community-based approach that coordinates with local organizations to package a customized program delivery plan that fits the specific needs of the communities. This delivery plan will reduce market barriers to adoption of energy efficiency alternatives in the small businesses of the community. This program would provide lighting audits and no-cost/low-cost lighting fixture installation projects to very small business using local labor and contractors. Up to three fixtures would be installed at no charge by pre-approved electrical contractors who had received program training. If there were vending machines in place, the business owner would be eligible to have an Energy Miser installed on one machine that can save 40-80% of the vending machine's annual energy usage.

Direct install programs for Small Commercial customers have had successful results. In a sampling analysis of 3,350 direct customer visits from Southern California Edison's Direct Install program, penetration rates of nearly 90% were identified when measures were installed at no cost to the customer.

SAIC will also explore the possibility of including a direct installation of Guest Room Energy Management systems for small hotels and motels that are part of this hard-to-reach market. A reduced interest financing component would be developed by SAIC in cooperation with local banks and the SAIC Team partner Bostonia to provide owners with access to needed capital for energy efficiency improvements. Bostonia is providing similar services for the Cambridge Energy Alliance among other programs.

3.4 Renewable Energy Program

SAIC is required to design and analyze a Photovoltaic Rebate program for inclusion in the Program with a goal of having a full program available during PY 2011. Because of the availability of federal stimulus money, SAIC will develop the program early in PY 2009 for possible delivery in the latter part of that program year or in PY 2010. The program is further described below.

Photovoltaic (PV) Rebate Program. The PV Rebate program will support the installation of photovoltaic panels through the use of:

- rebate-style incentives,
- installer-education programs, (possibly in coordination with local colleges or trade schools), and
- technical and financial information tools for consumers.

The PV Rebate program will be designed to encourage building owners to invest in PV applications by providing the appropriate tools to help in their decision making and potentially offering sufficient incentives to reduce the large up-front capital investment and low-interest financing through our partnership with Bostonia.

In addition to financial incentives for building owners and the program's educational component that would further develop the workforce of skilled installers to meet the growing demand for PV systems, optional "bonus" offerings for the PV program could include:

- Scholarships for installer training
- Network of independent solar site assessors
- Materials for making buildings solar ready
- Funding assistance for third party solar electric system owners to enter the Hawai'i market
- Suggested methods for reducing the regulatory hurdle of governmental zoning and permitting processes.

SAIC has engaged the Wisconsin Energy Conservation Corporation (WECC) to provide a program design for photovoltaic rebates for delivery by June, 2009.

3.5 Program Additions and Innovative Strategies

SAIC will incorporate the addition of new technologies that are not included in the existing C&I and residential programs during PY 2009. Further, we will expand the total program offerings to include new programs for launch during PY 2010.

New technologies to be introduced into existing programs include:

- Compressed air systems,
- Heat recovery,
- Variable frequency drives (VFDs),
- Guest Room Energy Management (GREM) systems,
- Lighting control systems,
- Renewable energy systems such as photovoltaic, solar thermal, sea water air conditioning systems (SWACS),
- LED traffic lights,
- Natural ventilation,
- Daylight harvesting, and
- Photovoltaic generation,
- Fresh water pumping,
- Wastewater processing,
- Data Centers – airflow optimization,
- Data Centers – server virtualization and related technologies,
- Parking Garages – perimeter dimming,
- Parking Garages – ventilization control,
- Non-residential demand control ventilation (CO_2 sensors in return airstream),
- LED refrigeration case lighting,
- LED interior lights,
- Integrated building design and construction standards,
- Advanced energy management controls,
- Variable volume refrigerant air conditioning,
- High performance commercial lighting,
- Bi-level stairwell and parking garage lighting

While SAIC will use the existing efficiency programs as a base for expansion and integration of more advanced energy saving technologies, our plan is to introduce most of the additional programs at the beginning of the second year of the contract. It is anticipated that some new programs will be piloted in the first year after the transition is complete. These programs will contain some of the elements that are already present in the existing portfolio, but will also include new features not currently available through the HECO programs. These new programs are described throughout the proposal both within the context of the existing portfolio and separately. They include:

1. ***Commercial Retro-Commissioning.*** SAIC will design and deliver a retro-commissioning program for delivery by April 2010 through which trained HVAC contractors will provide tune-ups and offer low-cost upgrades to systems to improve the overall operating efficiency of energy using systems in a variety of commercial building types.
2. ***Home Audit and Tune-Up.*** SAIC may ultimately offer our proposed audit component of the ESH program as a stand-alone offering. The intent of the program is to provide homeowners

with the holistic information that they need to make decisions and prioritize energy capital improvements that impact home energy use.

3. ***Residential and Small Business Low Interest Financing.*** As described within our program offerings for ESH, SAIC will explore low-interest financing made available through our partnership with Bostonia to help homeowners finance energy improvements and renewable energy installations.
4. ***Photovoltaic Rebate Program.*** As described earlier, the PV Rebate program will be designed and analyzed for inclusion with the PBF programs. SAIC anticipates that we will have a full program available for implementation during PY 2010.
5. ***Green Buildings Programs.*** SAIC will include green and sustainable design features into its new construction programs for both residential and commercial buildings. Because of Hawai`i's unique climate conditions and energy supply issues as compared to the remainder of the U.S., we anticipate that our new construction programs will feature components that are not typically seen elsewhere in the country even among buildings with sustainable design features. Elements such as natural ventilation to reduce the need for mechanical cooling, vegetated roofs to reduce storm water runoff and lower the need for cooling, and advanced daylight harvesting systems to minimize the need for artificial lighting are among the many features that we envision for these programs.
6. ***Community Pilot Project.*** As described in Section 9, this program will provide an innovative approach to program delivery and outreach by engaging entire communities in neighborhood energy efficiency.
7. ***Custom Project RFP Program*** to solicit special and unique opportunities that do not readily fall with the scope of other programs.
8. ***Service Buy-Down Program*** to provide incentives that reduce the cost of energy efficiency services such as air-conditioner tune-ups, compressed air leak surveys, etc.
9. ***Performance Contract Buy-Down Program*** to provide incentives to encourage the participation of third-parties in the implementation of energy projects on a savings-based performance contract.

4.0 PORTFOLIO OPTIMIZATION

4.1 Portfolio Summary

SAIC will accelerate savings objectives and achieve a higher level of energy and demand savings building on what the Hawai`ian utilities have already achieved. SAIC strategies will provide a step change in energy savings based upon enhanced programs, new programs, and a far-reaching marketing campaign that leverages the Islands' urgency to become more energy self-reliant in today's volatile energy marketplace. Our experience and program delivery methods enable us to hit the ground running to develop cost-effective program enhancements that are customized both to utilize and develop the existing Hawai`ian energy market infrastructure.

Total Program Savings Objectives

Figure 4-1 summarizes the saving goals (net) for each of the portfolio programs for each sector for PY 2009 and the targeted incentive levels on a per-kWh basis.

Figure 4-1: Program Minimum Savings Target
Residential Sector

	MWh		Incentive	$/kWh
REWH	5,784	$	3,525,000	0.609
RNC	3,474	$	980,001	0.282
ESH	61,173	$	1,980,500	0.032
RLI	2,369	$	276,500	0.117
Total - Res.	72,800	$	6,762,001	0.093

Figure 4-2 Program Minimum Savings Target
Business Sector

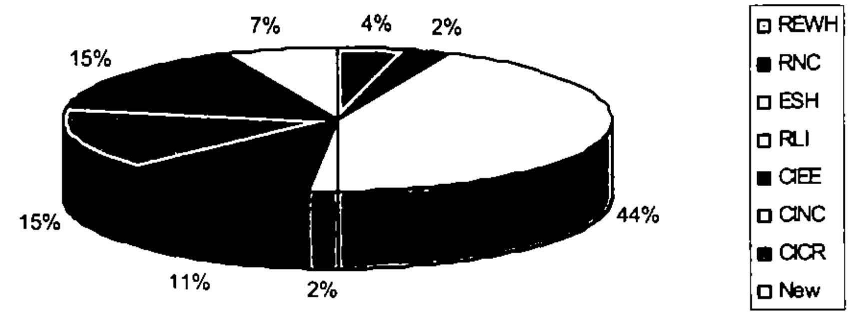
	MWh		Incentives	$/kWh
CIEE	15,684	$	1,664,045	0.106
CINC	21,255	$	1,471,412	0.069
CICR	21,345	$	2,134,481	0.100
New	9,500	$	950,000	0.100
Total - Bus.	67,784	$	6,219,938	0.092

Our strategy is to provide a delivery and incentive structure that will result in net energy savings that exceed those represented in the above table. Based on our predicted net-to-gross ratio of 0.73, we are designing the programs with a gross incentive level of $0.075/kWh to result in the net incentive level of $0.10/kWh. Based on this plan, and depending on PUC approval, we will be using more incentive funds for Residential programs than is in the present contract because we are looking to maintain the Solar Water Heater incentive at $1,000 for at least 6 months. Therefore, we will need to shift some incentive funds from the Business program to the Residential program. The total incentive budget is the same. We discuss further program delivery strategies to meet this goal throughout this Plan.

A further objective of portfolio optimization is to deliver the entire package of programs at a favorable Total Resource Cost. Based on the agreed-upon schedule of utility avoided costs, SAIC anticipates delivering all programs at a Total Resource Benefit of $208 million (see Table 2-2) This plan does not address a full Total Resource Cost analysis as we do not include a study of participant costs. We anticipate that a TRC analysis will be included in the program's evaluation.

Figure 4-2, below, illustrates the estimated distribution of energy savings between the various programs for PY2009. The program with the largest projected savings is the enhanced Energy$olutions for Homes, followed by the Commercial/Industrial Custom Rebate, the Commercial/Industrial Energy Efficiency, and New Commercial/Industrial programs. They account for nearly 90 percent of all savings. This distribution provides a reasonable mix for the first year, based on both opportunity and customer equity.

Figure 4-3
Allocation of Savings by Program
All Sectors



Savings Objectives by Markets and End-Uses

In order to estimate savings by market segment and end-use, we relied on the *HECO Evaluation Report for 2005 to 2007* prepared for the utility by KEMA and used market segments, related end-uses, and market shares for the existing group of programs. We supplemented data for new program offereings from the California DEER database with data for San Diego.

4.2 Benefit-Cost Background

SAIC has estimated the energy savings, costs and net benefits associated with each of the programs included in the proposed portfolio of programs based on agreed-upon utility avoided cost estimates. Although the primary measurement of SAIC's program cost-effectiveness will be the Total Resource Cost test, the following section presents an overview of the benefit-cost tests that may be could be used to evaluate the program design and implementation.

Each of the tests examines the costs and benefits from a different perspective. The following is a brief overview of each of the tests.

The Utility, or System Resource Cost, Test measures the net benefits of a demand-side management (DSM) program as a resource option based on the costs and benefits incurred by the utility (including incentive costs). This test excludes net costs incurred by the customer participating in the efficiency program. The benefits include the avoided supply costs of energy and demand, the reduction in transmission, distribution, generation and capacity valued at the utility's avoided costs or marginal costs for the periods when there is a load reduction. The costs are the program costs incurred by the utility, the incentives paid to the customers, and the increased supply costs for the periods in which load is increased.

The Total Resource Cost (TRC) is a test that measures the total net resource expenditures of a DSM program from the point of view of the utility, and its ratepayers. Resource costs include changes in supply and participant costs. A DSM program, that passes the TRC test (i.e., a ratio greater than 1) is viewed as beneficial to the utility and its customers because the savings in electric costs outweigh the DSM costs incurred by the utility and its customers.

The Participant Cost Test illustrates the relative magnitude of net benefits that go to participants compared to net benefits achieved from other perspectives. While called a "participant" perspective, it is not necessarily a perspective indicating whether customers participate directly. The benefits derived from this test reflect reductions in a customer's bill and energy costs plus any incentives received from the utility or third parties, and any tax credit. Savings are based on gross revenues. Costs are based on out-of-pocket expenses from participating in a program, plus any increases in the customer's utility bill(s).

The Rate Impact Measure (RIM) Test measures the change in utility energy rates resulting from changes in revenues and operating costs. The higher the RIM test, the less impact on increasing energy rates. While the RIM results provide a guide as to which technology has more impact on rates, generally it is not considered a pass/fail test. Typically any program activity that reduces energy consumption will not fare well under the RIM test. Load management programs that shift demand may pass the RIM test, however.

The Societal Cost Test is similar to the TRC test. The test accounts for the effects of externalities (such as reductions in carbon dioxide (CO_2), nitrogen oxides (NO_x), and sulfur dioxide (SO_2). A societal test was not calculated as part of this plan given the uncertain values of environmental externalities, which were not monetized for purposes of estimating a societal benefit costs.

4.3 Benefit-Test Methodology

SAIC used a spreadsheet analysis to determine the cost effectiveness of the HEEP portfolio. We used average avoided cost data for energy and capacity that was provided for us by HECO Companies and adjusted under the advice of the Contract Manager (see Appendix B for more details). Because hourly avoided cost data is typically determined to be proprietary data, we used average data that approximates typical load shapes for all sectors.

Further assumptions used throughout the analysis are described below.

Discount Rate

The time value of money is represented by a discount rate (analogous to an interest rate). We use the discount rate in our economic equations to convert all costs and benefits to a "present value" for comparing alternative costs and benefits in the same year's dollars. For the purposes of this analysis, SAIC used a uniform discount rate of six percent for both energy efficiency programs and supply side resources.

Avoided Capacity and Energy Costs

SAIC used HECO-supplied average annual avoided costs for capacity and energy for calendar year 2009 as the basis for our analysis. Rather than use HECO's costs for future avoided costs, however, we escalated the stated 2009 costs for a 20-year period (See values proposed in Appendix A). Although we are not in full agreement that the resulting avoided costs are correct, we nonetheless believe that the results are superior to using the utility-supplied estimates. HECO's future avoided costs had several years with negative values that we believe are not appropriate for the purposes of our program design.

SAIC will work with the Contract Manager to develop an agreed-upon avoided cost methodology for future estimates of the program's Total Resource Benefits.

Avoided Transmission and Distribution

For the purposes of this Plan, SAIC has incorporated avoided transmission and distribution costs into the above-stated avoided energy and capacity costs.

5.0 RESIDENTIAL PROGRAMS

SAIC will deliver over PY2009 a portfolio of residential programs that are described in detail throughout this section. We anticipate that the residential programs will result in distributed incentives and savings as described in Figures 5-1 and 5-2, below.

Figure 5-1
Residential Program Incentives Across Programs

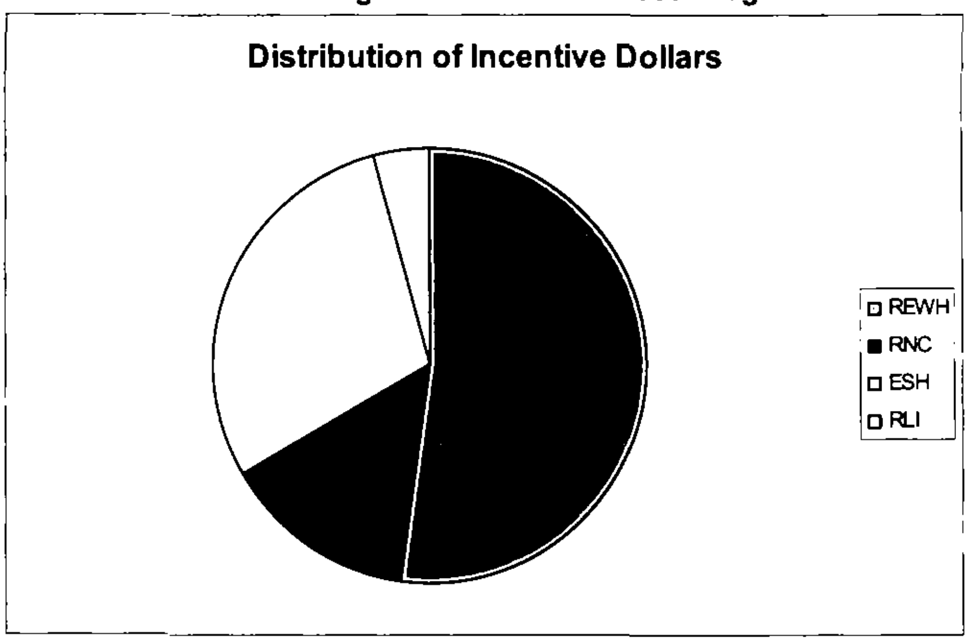
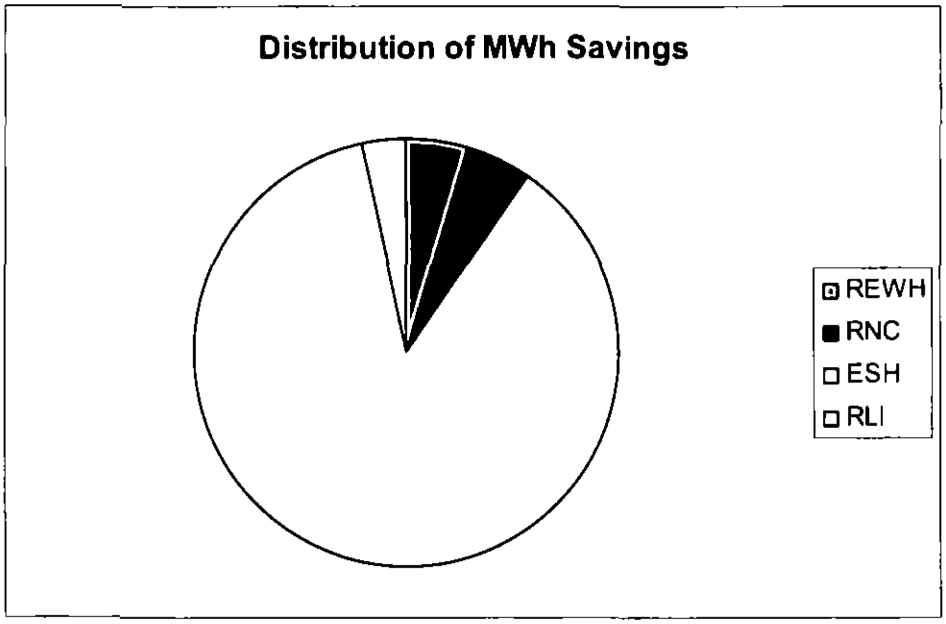


Figure 5-2
Residential Program Savings Across Programs



As these figures indicate, programs are not equally cost effective. The continued inclusion of compact fluorescent lamps, for example, offsets the high cost of some measures such as the Solar Water Heaters. As a result, the total residential portfolio maintains cost-effective energy savings. Detailed program descriptions of the residential core programs is included in the following pages.

PROGRAM	Residential Water Heater Program
Target Market	Year round homeowners and apartment owners and tenants, military housing agencies, multi-family owners/agencies
Market Barriers	High first cost for solar or higher cost for efficient electric DHW Customer lack of access to capital for energy improvements Lack of understanding of energy efficiency benefits Reluctance to invest in property if not owner Split incentives – tenants vs. landlords
Program Objective	To achieve cost effective kWh and kW reduction through the implementation of solar and high efficiency electric hot water heating equipment, and to educate customers about ways to reduce water heating consumption
Program Strategies	The program will be implemented through Solar installation contractors and promotion by retailers, with support and oversight from SAIC program staff.
Program Description	We will continue for at least 6 months the existing program that provides $1,000 instant rebates for solar hot water systems installed by utility-qualified contractors. The process is: ▪ Customers contact a contractor from the extensive list of pre-approved contractors. ▪ Contractor comes to the home, analyzes hot water usage and provides a written proposal for complete installation. The contractor's cost reflects a $1,000 rebate. ▪ Contractor provides rebate form and helps customer to fill it out. ▪ Contractor installs solar water heating system, and we will conduct a post-installation inspection to make sure the system has been installed properly. ▪ Upon successful inspection, we will pay the contractor $1,000 For high efficiency electric hot water heaters, we will provide the same rebates as the existing program of $40, $50, or $70 rebates for qualifying models. Rebate levels are based on the size and efficiency of the water heater. Rebate applications are provided by the retailer at the time of purchase, or by the HVAC contractor at the time of installation. Rebate forms must include an original purchase receipt.
Key Changes	SAIC will need to limit the number of incentives available at $1,000 per unit in order to offer incentives for other measures and to maintain program cost effectiveness. SAIC will continue the existing program during the first six months after taking over the program, and will review the program elements to identify possible efficiencies of operation and enhancements, including increasing the contractor/retailer network, statewide internet access to program materials and information, and the possibility of providing access to low-interest financing or a development of a revolving loan fund for all customers. In addition, we will adjust incentive levels to an amount that will increase cost effectiveness and still encourage the installation of retrofit systems. We will provide web-based information and application forms for each utility

	area, and will include a list of qualified contractors in each area. SAIC will work with the local providers to expand the list of qualified contractors, if possible, and provide informational and training sessions to enable more contractors to be qualified and listed. In addition, SAIC will meet with retailers in each utility area to explore opportunities for expanding the list of participating retailers. We will provide training, program support and documentation, cooperative advertising, educational materials to the retailers, and will develop an incentive program for reaching specified promotional and sales goals. SAIC will work with HECO companies, local banks, local governments, or Bostonia to ensure that all qualified customers have access to low interest financing for purchase of higher cost energy efficiency measures, including solar and electric hot water systems. The HECO companies will continue to operate the Solar Savers pilot program during the first year of SAIC operation, and will continue to participate in the Maui and Honolulu Solar Roofs programs. SAIC will propose a program strategy to assume these activities in our 2010 plan. Any additional financing initiatives will be designed to complement and/or expand these programs.
Program Duration	PY2009 through PY2010
Eligible Measures	Solar hot water heating systems, high efficiency electric hot water heaters, heat pump water heaters, and tank timers.
Incentive Strategies	SAIC will continue the existing rebate levels of $1,000 for solar systems, paid to contractors to offset the customer's price for a limited time. Electric hot water incentives will remain at the same level during the first six months. During this time, SAIC will review the incentive and participation levels to determine an alternate incentive level.
Implementation Strategies	Initially, SAIC will conduct outreach with key allies including the Solar Technical Advisory Group (Solar TAG); solar contractors; suppliers; government and housing agencies; financial institutions; housing, apartment, and contractor associations to promote the program, solicit feedback for more efficient program operation, and identify opportunities for implementation and coordination of efforts. SAIC will continue the existing marketing and delivery process for solar and electric hot water heating systems using an extensive network of pre-approved installation contractors and instant contractor rebates. We will continue to seek new contractors, pre-qualify and train them on program and installation requirements, and provide a web-based list of pre-qualified contractors for each utility area. For solar systems, customers are advised to contact three contractors for estimates. Customers schedule installation, and the installation cost from contractor reflects a $1,000 incentive from HEEP. Contractors install equipment, and help the customer fill out the application form. Application form is submitted to SAIC, along with the Solar Installation checklist and an original contractor's invoice. SAIC reserves the right to inspect the installation, and will inspect a sampling of installed systems. Once the application and required documentation are submitted, SAIC program staff will process the incentive payment and mail to the customer.

	SAIC will continue the current process of marketing and promotion coordination with retailers who sell electric hot water heaters, and will identify opportunities to expand the number of participating retailers and the high efficiency appliances and equipment offered under the coordinated point of sale approach. Retailers promote the high efficiency appliance; provide educational materials and application forms. Customers fill out the rebate application form, and submit it to SAIC's implementation contractor (for electric hot water heaters and possibly other point of sale appliances). SAIC will explore the possibility of developing an incentive program for retailers to promote high efficiency electric water heaters and other appliances.
Transition Strategies	SAIC will continue to use the existing program infrastructures, marketing and delivery network during the first six months of SAIC operation, and will review the program to identify possible operational efficiencies and program enhancements, including the possibility of expanding availability of loan financing or a development of a revolving loan fund for all customers. During the first six months, SAIC will meet with key allies including HECO staff, the Solar Technical Advisory Group (Solar TAG), Rebuild Hawai'i, Honolulu and Maui Solar Roofs staff, banks and credit unions participating in solar loan programs, solar and electric hot water installation contractors, contractor associations, and retailers to discuss the program, and solicit feedback for any possible program efficiencies and/or enhancements, including alternate incentive levels..
Marketing Strategies	SAIC will continue to rely heavily on the network of installation contractors who are involved in HECO Companies' program. HECO currently has over 30 qualified installation contractors listed as program allies.
Program Ally Strategies	Program allies include listed contractors and HECO Companies' staff, the Solar Technical Advisory Group (Solar TAG), Rebuild Hawai'i, Honolulu and Maui Solar Roofs' staff, Banks and credit unions participating in solar loan programs, Solar and electric hot water installation contractors, Contractor associations, and Retailers
Evaluation Requirements	SAIC may not inspect 100% of all systems. We will develop a statistically valid sampling for inspection and evaluation purposes. Baseline data for non-participants will be developed by the Evaluation Contractor.
Estimated Participation	SAIC may limit $1,000 incentives to 3500 solar hot water systems and provide additional rebates at a reduced level.
Budget	Incentives of $3.5 million
Savings Targets	5,784 net MWhs
Program Metrics	• Contacts with key allies during first three months • 4 Contractor certification seminars series in first year • Continue advertising campaigns

PROGRAM	Residential New Construction
Target Market	New homebuilders, developers (including for military housing), and building/housing associations in the residential sector are the target market for the RNC program, with two goals: • *to capture the energy savings potential in household water heating* (via solar, heat pump, or high efficiency electric technologies) for new construction • to promote green design for energy and environmental savings in new construction. Energy savings will initially come mostly from solar (until December 31, 2009) and high efficiency electric water heating with peak load timer devices in new military housing, as SAIC re-evaluates the 'green' residential measures market in HECO service territories for opportunities to revitalize the existing Green Homes program.
Market Barriers	Barriers to achieving these two energy savings and green design goals include capital costs of relevant equipment and availability to Hawai'i homebuilders. Given that the RNC Green Homes (green design) program has been in effect with little to no participation, there are clearly market barriers that prevent its expansion. The existing program has noted that some types of ENERGYSTAR®-qualified equipment and requisite insulation are not available or not easy to source on the islands. Participant confusion may also be a barrier to the RNC Green Homes program. The Green Homes program employs specific bundles of energy-saving measures qualifying for the Building Industry Association (BIA) Hawai'i Built Green certification standards to award incentives for differing levels of participation, as opposed to simply requiring BuiltGreen certification protocols.
Program Objective	Our objective will be to simplify the RNC Green Homes program by aligning the program with the existing BuiltGreen system and/or LEED for Homes certification procedures, and to capitalize on the strong growth in military housing construction to realize energy savings with the water heater and green design initiatives.
Program Strategies	SAIC will work with the Building Industry Association of Hawai'i, other public and private housing associations, project developers, and military housing representatives to develop and promote an effective marketing, educational and incentive strategy for the Green Homes initiative and prescriptive energy efficiency measures. SAIC will work with trade allies, provide training in green and energy-efficient building practices, Built Green compliance, and LEED certification. SAIC can provide training and program administration in the interim. • SAIC proposes to provide incentives for fulfilling an appropriate number of BuiltGreen checklist items in section 2 (Energy Performance and Comfort) and section 5 (Home Operations), related to encouraging greater energy efficiency and demand reduction. The number of credits to be required will be determined during the review phase.
Program Description	SAIC proposes to initially keep the current delivery mechanism and water heating incentives in place, eliminating the solar water heating incentive for non-military housing after December 31, 2009 when Act 204 requiring solar water heating in residential new construction goes into effect. SAIC will review the costs and benefits of adding a number of additional financial incentives. Among the ENERGY STAR® rated technologies that will be reviewed are:

	• Compact fluorescent indoor and outdoor fixtures (these will be a continuation of an existing initiative) • Decorative and dimmer CFL lamps • Refrigerators, dishwashers, washers, dryers • Cool roofs • Attic, whole house and ceiling fans • Windows and/or reflective film • Heat pumps, and central A/C systems With input from housing and builders associations, trade allies and industry players to determine the appropriate modifications to the program, SAIC will offer a menu of incentives that can provide builders (or homeowners that build their own homes) a flexible approach to incorporating some or all of these technologies. Another proposed track of the program would reward builders with an increasing incentive for achieving one, two, three or four stars under the Hawai`i Built Green Program (with an appropriate number of credits in energy-related sections of the program) or possibly to homeowners who achieve LEED certification. The benefits to electric ratepayers include a reduction of future energy and capacity needs due to a highly efficient building stock of new homes. An effective "green homes" program can also provide substantial environmental benefits, including: • *Enhancement and protection of ecosystems and biodiversity* • Improvement of air and water quality • Reduction of solid waste by using recycled building materials • Conservation of natural resources
Key Changes	The key differences offered by SAIC to enhance the existing RNC program and maintain the momentum of the successful water heating component include a suite of prescriptive measures that will attract homebuilders and developers to more energy efficient technologies and practices in new construction, without requiring the time and investment of a comprehensive green design. In addition, the existing Green Homes initiative and incentive program will be redesigned to take better advantage of the BIA Hawai`i Built Green guidelines and reduce participant confusion over the incentive ranking system.
Program Duration	PY2009 through PY2010
Eligible Measures	Solar water heaters (until December 31, 2009); HE Electric DHW; HE Electric Tank/Timer; Green Homes bundled measures. New measures to be reviewed for implementation include Dimmer & specialty CFLs; ENERGY STAR® appliances; ceiling fans; whole house/attic fans; window glazing/film; central A/C; cool roof.
Incentive Strategies	Existing incentives will remain in place through 2009. Additional prescriptive incentives for ENERGY STAR® equipment and appliances, and certain other applicable energy saving measures will be reviewed and an appropriate incentive assigned. A scaled incentive based on achievement of Hawai`i Built Green or LEED certification (with a defined set of energy-related credits achieved in either case) will be developed.
Implementation Strategies	SAIC will provide program implementation and management of the program. The primary delivery will be through local contractors with expertise in the target markets. We may use a Request for Qualifications (RFQ) process to solicit qualified providers of green building services to the residential new construction market. They will

	receive from SAIC a program manual that describes the necessary steps and data need to fully complete a green design review and recommendation. An application for services or for prescriptive incentives must be completed and signed by a customer, but may be assisted by one of the qualified allies. Once an application is received, SAIC will approve or deny the proposed measures and/or green building assistance. Once approved the services can commence. Measures to be installed should demonstrate a reasonable payback. Once the projects are complete, the customer will submit documentation of completion, including equipment invoices, green building certification confirmation, and any other verification data. The program office will verify the installation. Allies and energy service providers who typically serve these markets will be recruited to deliver the program incentives to their customers, but must be certain to request approval from the program before installing equipment. Program training will be advertised and offered to potential program partners through local breakfast and lunch meetings. As with other programs, where possible, SAIC will seek out and develop synergistic relationships with willing associations that have market potential with respect either to end use or to market segment. Calculated energy and demand savings, rebates/incentives, and all relevant customer information will be entered, stored, and tracked in the central database.
Transition Strategies	As described previously, SAIC will continue the water heater program through 2009 as funding permits. Applicants to the Green Homes existing incentive program will be accepted while the program undergoes review with allies and BIA representatives, and realignment with the existing Hawai`i Built Green checklist requirements. Allies in the Hawai'i new construction and energy industries will also be consulted for review of proposed efficient prescriptive measures which SAIC believes could be applicable in Hawai'i's climate and market. The measures deemed to have an appropriate payback and demonstrated energy savings value will be introduced to the market. General administrative tasks including forms and database management will transfer to SAIC upon startup. SAIC may make minor modifications to forms to clarify our role in the program while minimizing customer confusion (i.e. logos), while reviewing these items for opportunities to streamline documentation requirements.
Marketing Strategies	Web-based application forms will be advertised and made available to customers and their equipment/services allies. SAIC will network and develop relationships with key market players, including building associations and community development associations to leverage their marketing resources to inform members. Application forms and marketing brochures will be developed by SAIC. SAIC will publicize success of customer and ally partners to demonstrate highest level leadership in an effort to pull the market. This publicity will include press releases, case studies, demonstration showcases, and special recognition at conferences and other public events. General awareness marketing to all customers through sponsorship and participation in Energy and Green Building fairs, seminars and community events
Program Ally Strategies	Program allies will be trained on the procedures required for green design assistance. These allies will be a significant part of the marketing of the program since their business will also benefit. SAIC will coordinate marketing efforts with existing builders and contractor

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From Science to Solutions

	associations to sponsor and promote webinars, training sessions for builders and trade allies. SAIC will engage Hawai`i BuiltGreen in green program design to more closely align Green Homes with the BuiltGreen rating system for new residential construction.
Evaluation Requirements	To be determined
Estimated Participation	A combination of 500 participants of the whole building and prescriptive components of the program
Budget	$980,000 in incentives.
Savings Targets	3,474 net MWhs
Program Metrics	• Meet with program allies – builders, project developers, Hawai`i Built Green in first three months • Identify opportunities to streamline program elements in first 6 months • 5 Outreach/training seminars in first year of SAIC operation • Participation in 4 fairs or community events in first year

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PROGRAM	Energy Solutions for the Home (ESH)
Target Market	Residential single family, multi-family, Association of Apartment Owners, and military housing in HECO, HELCO and MECO service territories.
Market Barriers	▪ Lack of understanding about how energy is used in the home ▪ Lack of information about product energy efficiency - Using an ENERGY STAR® platform helps reduce the overall costs and risks associated with identifying energy-efficient products. ENERGY STAR® offers a credible source of easily identified information. ▪ Product Unavailability – Often related to supply and/or high price issues, unavailability can be overcome through manufacturer buy-downs and/or by working directly with retailers to increase stocking and ordering of energy-efficient products. ▪ Higher first costs - High costs may be related to low levels of manufacturing or simply the higher cost of a given technology. Upstream buy-down efforts can reduce the impact of this barrier. ▪ Undervaluing energy-efficient features (related to higher cost) – This barrier is addressed primarily through marketing and efforts to expose consumers to the benefits of the energy-efficient products. Point of purchase rebates that allow customers to experience the features of a product can help overcome this barrier in future purchases.
Program Objective	To encourage residential customers to reduce their home's electricity consumption by understanding options for increasing efficiency through audits, equipment tune ups and the replacement of older, less efficient appliances with more energy efficient models, including ENERGY STAR® rated lighting, cooling and other appliances. Overall program objectives include the attainment of cost effective kWh savings and transformation of existing purchase protocols to include energy efficiency as an important criteria for decision making.
Program Strategies	The program will include a direct customer incentive component, administered by an implementation/fulfillment contractor, with management oversight by SAIC program staff. Existing incentive levels will be continued during the first three months, and assessed and adjusted, if necessary, to provide the maximum cost effective level to meet the program's objectives. SAIC will also identify, during this period, additional cost-effective measures and appropriate levels of incentives to be introduced into the program in January 2010. In addition, SAIC will train, certify and provide oversight for a number of energy audit contractors who will provide in home energy audits to single and multi-family owners and tenants. In addition, SAIC will expand the current HECO HVAC pre-qualified contractor program to include cost-shared air conditioner tune ups for central A/C systems. These will be provided at no cost for low-income customers.
Program Description	The current program that we will continue provides educational materials & prescriptive incentives to residential customers who purchase and install energy efficiency measures that meet or exceed ENERGY STAR® standards. Incentive amounts are generally set at 25% of incremental cost. Available rebates are:

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Ceiling Fans	$40	Ductless Split A/C	$110
Clothes Washers	$50	Dishwashers	$ 50
CFL- Standard*	$ 1	Refrigerator	$ 50
CFL- Specialty *	$ 3	Window A/C	$ 50
CFL – Dimmable*	$ 5		

*CFL coupons are provided for point of sale purchase reductions. These are not included on the rebate application. The program promotes CFLs through Memorandum of Understanding cooperative agreements with participating "teams" of manufacturers or distributors and retailers in which they provide funds for the advertising and promotion of CFLs and coupons for instant rebates to customers. Retailers signing the Memorandum of Understanding (MOU) received POP displays, assistance in ordering and stocking qualifying products, and sales staff training. In return, retailers agreed to promote consumer education, undergo staff training and follow proper coupon redemption procedures

We will also offer an incentive of $50 towards the servicing of a central air conditioning system (e.g., coil cleaning, filter replacement, etc.) performed by a qualified independent contractor. Contractor qualifications include a currently active State of Hawai'i C52 A/C Contractor's license.

Applications will be accessed online, through the program's website, in hard copy or on-line forms, or through point of sale retailer displays. The application includes customer information, including utility account information and a series of check boxes to indicate the measure(s) for which the customer is requesting rebate(s). Relevant information is also requested including the store product code, brand, model number, size, EER (for air conditioners), and installation date. The application also requires that the store name, location and date of purchase be listed, and the original purchase receipt must be attached. The application notes that the brand and model must be listed on the ENERGY STAR® website in order to qualify for a rebate, and that the application must be postmarked/dated within six months of the date of purchase.
Applications are processed and incentive checks issued by Honeywell (or another fulfillment contractor.)

Key Changes

SAIC will continue existing rebate measures and expand the list of incentives for ENERGY STAR® qualified measures, including possibly whole house and attic fans, cool roofs, home electronics, home office equipment and additional emerging technology measures. Online rebate applications will be accepted, in addition to mailed hard copy rebate applications.

SAIC will add an Energy Audit component. Customers will be able to access a simple, online self-audit at no charge, or a customized walk-through audit conducted onsite by a certified energy auditor, resulting in an audit report with a detailed action plan for implementation. We will train a local network of audit providers, using a nationally recognized auditor training organization such as Building Performance Institute (BPI). We will incorporate some combination of energy simulation modeling.

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	Audits may be subsidized based on income and will include: ▪ Customer education ▪ Specific recommendations for reducing energy consumption and costs ▪ Implementation assistance – o Selected CFL direct installation (dimmable and specialty CFLs) – up to 4 CFLs as appropriate o Direct installation of up to 4 faucet aerators and up to two low-flow showerheads o Hot water tank adjustment to 120 degrees if possible o Refrigerator coil cleaning A/C tune up will be continued, and SAIC will review the existing $50 incentive level, to see if a higher level is appropriate. SAIC will identify additional service providers, if possible, qualify them, and provide training and educational materials to help them to promote high efficiency equipment to their customers. SAIC will pay the full cost of the tune-up (coil cleaning, filter replacement, etc) for low-income customers. SAIC will explore the feasibility of providing a low-interest financing mechanism, either through Bostonia or on-bill financing, in cooperation with HECO, to help customers pay for higher cost measures identified in their energy audits, such as cool roofs or high efficiency air conditioning systems.
Program Duration	PY2009 through PY2010
Eligible Measures	Incentives will continue to be provided for measures that are in the existing HECO Companies' program (Ceiling Fans, Ductless Split and Window Air Conditioners, Clothes Washers, Dishwashers, Refrigerators, Specialty and Dimmable CFLs). New measures that pass cost effectiveness screening, including possibly whole house and attic fans, cool roofs, home electronics, home office equipment and additional emerging technology measures will be added.
Incentive Strategies	Incentives will be based on incremental costs, from 50% – 100% of incremental cost, determined through cost benefit tests for individual measures.
Implementation Strategies	The incentive program will be administered by an implementation/fulfillment contractor, with management oversight by SAIC program staff. SAIC will contract with the existing provider, Honeywell, if possible. SAIC will develop application forms to be used immediately upon takeover of the program, and existing measures and incentive levels will be continued during the first three months. New measures will be added and incentive levels will be adjusted , to provide the maximum cost effective level of savings to meet the program's objectives. SAIC will develop a Program Implementation Manual to guide the participation process and contractor services. During the first three months of program operation, SAIC will meet with participating retailers to explore opportunities to continue cooperative marketing efforts for ENERGY STAR®

	appliances, with incentives to retailers who sell a certain level of appliances each month. To receive an incentive, purchasers will submit an application to SAIC's implementation contractor, with required information and documentation to support the incentive application, including an original purchase receipt. The fulfillment contractor will process the application and mail the rebate checks. The new audit component will be administered by SAIC program staff, using pre-qualified audit contractors. SAIC will contract with the Building Performance Institute or another nationally recognized auditor training program to provide auditor training and certification, possibly in conjunction with local Community Colleges or universities, in order to train a group of energy audit contractors that can provide services in all HECO companies' territories. Audits will be provided to low-income customers at no charge. SAIC will contract with local weatherization agencies to provide income verification, and possibly energy audits for low income customers, if this service is provided by the weatherization agencies. Customers will schedule audits either online or through the 800 number. Audits will be performed onsite and will include an education component and direct installation of specialty CFLs, faucet aerators, low-flow showerheads, hot water tank temperature setback, and refrigerator coil cleaning. A customized report and action plan will be prepared and presented to the customer, along with educational materials and available financing information. SAIC program staff will be trained to review a sampling of reports for quality control, and follow up with a sampling of customers approximately one month after the energy audit to survey their experience and plans for implementation of recommended measures. Customers with central A/C systems will be given a coupon by the auditor for a cost-shared tune up of their system, including coil cleaning and filter replacement, to be performed by a contractor from SAIC's list of qualified HVAC contractors. The customer will contact the HVAC contractor, and schedule the service. The customer will pay their share of the cost to the contractor, and the contractor will submit the required documentation to SAIC program staff for reimbursement of the SAIC share of costs.
Transition Strategies	SAIC will continue the existing program during the first three months after taking over the program, and will identify new measures and begin to set up the audit program during this period. It is expected that several new measures will be added at the end of the first three months, and that the audit component will be added at the beginning of 2010. We will conduct outreach sessions with Weatherization agencies, community colleges and universities, local organizations and other advisory groups to determine the audit approach (whether it will be offered through an expansion of existing agencies or a new programmatic approach). SAIC will contract for audit services and begin to train and certify auditors. During the first three months after the program is transitioned to SAIC, we will reach out to participating retailers and HVAC contractors, and identify additional contractors. During the first six months, SAIC will organize and conduct three information/training sessions for contractors, to familiarize them with

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	programs and procedures for participation.
Marketing Strategies	SAIC will engage vendors in marketing strategies to encourage point-of-sale advertising, vendor-generated ads, etc. Community activities from other program initiatives (Community Pilot, etc.) will also play a large role in outreach. We will try to use marketing to inspire behariorial changes.
Program Ally Strategies	Meetings and informational/training sessions to explore partnerships with allies, Weatherization service providers, participating retailers, HVAC contractors, banks, homeowner and community associations, military housing associations.
Evaluation Requirements	To be determined
Estimated Participation	Over 420,000 individual units across all eligible technologies
Budget	$1.98 million in incentives
Savings Targets	61,173 net MWhs
Program Metrics	• Launch advertising immediately after SAIC takes over • Identify and contract with auditor training organziation within first three months of operation • Two auditor training sessions within three months after contract with auditor training organization • HVAC training and certification – 3 sessions in first 6 months • *Meet with retail partners in all service areas within first 6 months*

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6.0 BUSINESS PROGRAMS

SAIC will deliver over PY2009 a portfolio of business programs that are described in detail throughout this section. We anticipate that the business programs will result in distributed incentives and savings as described in Figures 6-1 and 6-2, below.

Figure 6-1
Business Program Incentives Across Programs

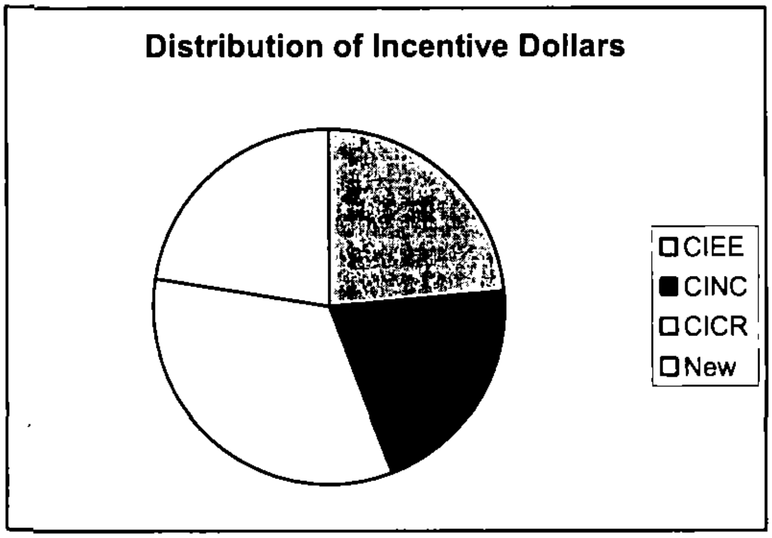
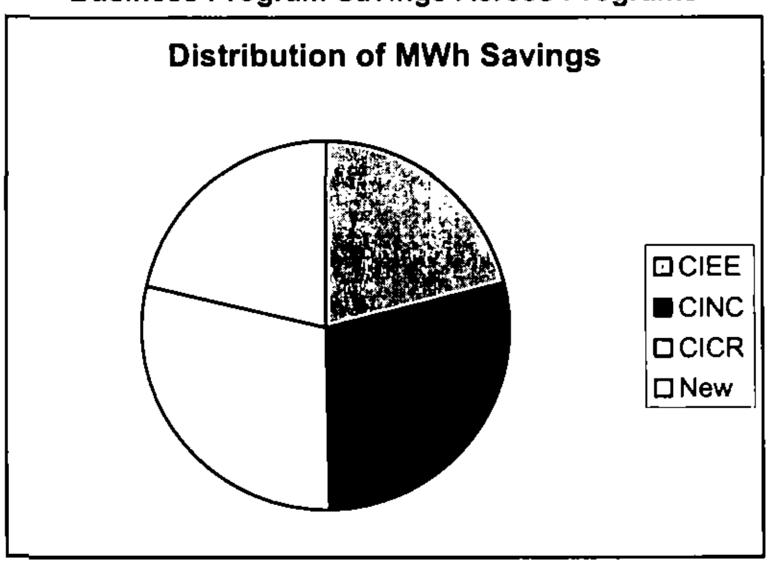


Figure 6-2
Business Program Savings Across Programs



Detailed program descriptions of the residential core programs is included in the following pages.

PROGRAM	Commercial & Industrial Energy Efficiency (CIEE)
Target Market	All commercial, institutional, governmental and industrial sector customers receiving electric power from HECO, MECO, or HELCO are eligible under this program. The program will target specific markets with high energy savings potential in lighting, cooling and ventilation for commercial market segments such as offices, hotels/resorts, retail, restaurants and schools, and with high savings potential in motors, pumping and industrial processes for the industrial sector. Additional prescriptive technologies may include compressed air systems, variable frequency drives (VFDs), and certain controls, such as Guest Room Energy Management (GREM) systems and lighting controls. SAIC will investigate the potential for additional prescriptive end uses including plug loads and ENERGY STAR® appliances. Additional targeted markets include military and government, as well as university and colleges.
Market Barriers	The prescriptive program (CIEE) is designed to overcome the following market barriers: • Higher initial first cost associated with EE technologies • Unfamiliarity with energy efficient technology • Life Cycle Cost vs. Simple Payback decision analysis • Availability of energy efficient technology due to low market demand
Program Objective	The objective of this program is to acquire electric energy and demand savings through customer installation of standard, known energy efficiency technologies by applying prescriptive incentives in a streamlined application and grant award process.
Program Strategies	Incentives with deemed savings, agreed to and set by the Commission or Contract Manager, will be offered through trained program staff, supported by local market providers (allies). SAIC will develop a detailed implementation plan; measure lists, rebate levels, and application forms; recruit participants; process incentives; and provide random verification. Customers will complete application forms and provide evidence of installation after they have completed the project. The program office will verify the installation and process the grant request within two weeks of receipt. SAIC or its fiscal agent will send a grant check to the applicant upon receipt of all required documentation. Deemed savings, grant amounts, and all relevant customer information will be entered, stored, and tracked in the central database.
Program Description	The program will provide rebates for energy efficiency products available in the marketplace that provide savings for a wide array of customers. The program will target measures for which energy savings can be reliably deemed, or calculated using simple threshold criteria. Flat rate incentives

	will be based on deemed savings that ensure program cost-effectiveness. The rebates are pre-set rather than calculated based on the specific project. The intent of this structure is to make it very easy for both customers and energy efficiency equipment providers to participate. In addition to paper forms, customers will also be able to submit applications through a web-based form. One advantage to this program is that it provides the same level of service to all customers equitably, regardless of size. The program will also include a self-assessment form that the customer can complete on his/her own to identify potential savings. Participant savings will generally accrue on a one-for-one basis for many of the rebated technologies, as inefficient technologies are replaced by high efficiency measures.
Key Changes	SAIC will continue to use the existing program infrastructures, incentive structure, and marketing and delivery network during the frist six months, and during this period, will review the program to identify possible efficiencies of operation and programmatic enhancements. Program baseline efficiency thresholds will be adjusted as necessary to coincide with the adoption of a statewide Hawai`ian energy code when that occurs.
Program Duration	PY 2009 through PY2010
Eligible Measures	Eligible measures include: • High efficiency interior and exterior lighting • Automatic Lighting Controls • Premium Efficiency Motors • Variable Frequency Drives • Cooling and ventilation for commercial markets • Pumps • Compressed Air System Components • Building Automation Components (i.e. Guest Room Energy Management or GREM) • ENERGY STAR® appliances • Basic Refrigeration System Components Periodically, the eligible measures will be re-evaluated to determine if additional measures are warranted.
Incentive Strategies	Customers will be awarded incentives based on the number of qualified equipment installations. These incentives will be backed up by standard, reliable assumptions and calculations and are subject to internal review by the program. The incentive rate will be based upon program $/kWh and $/kW rates. Then the final incentive will be tied to measure net kWh and kW savings. Some savings estimates for the program may require information such as hours of operation or occupancy, equipment loadings, production rate, weather, and a variety of other factors. In addition, total incentives will also be limited by a maximum 50% of total project cost to ensure program cost-effectiveness.

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Implementation Strategies	Allies and energy service providers who typically serve these markets will be recruited to deliver the program incentives to their customers. Program training will be advertised and offered to potential program partners through local breakfast and lunch meetings. SAIC will also investigate the feasibility of providing sales allies direct incentives, based on performance. Where possible, SAIC will seek out and develop synergistic relationships with willing associations that have market potential with respect either to end use or to market segment. If appropriate, direct installation of some measures may be investigated.
Transition Strategies	• Update application forms as needed. • Outreach staff will collaborate with HECO large account managers and existing allies to market and build awareness of any upcoming program changes. • Schedule kick-off meetings with market allies, and major customer accounts to introduce or re-introduce the program. • Create a program participation manual with sample applications and back-up documentation clearly illustrating the required information.
Marketing Strategies	• Web-based application forms will be advertised to and made available to customers and their channel allies (lighting, cooling, motors, controls). • Allies from the various channels will be trained and recruited as program partners to enhance sales of their energy efficiency equipment. • In addition to face-to-face breakfast trainings, program training webinars will be conducted to recruit and train partner allies. • SAIC will network and develop relationships with key market players, including business associations and chains, in order to understand the markets and decision points and to leverage their marketing resources to inform members. • SAIC will provide information to customers on how to participate through their various channels, such as direct mail and web pages. • Application forms and marketing brochures will be developed by SAIC. • SAIC will publicize success of customer and ally partners to demonstrate highest level leadership in an effort to pull the market.
Program Ally Strategies	• Work with equipment vendors to determine what items in their current product lines are eligible for incentives. • Provide vendor "Tool Kits" with quote stickers, program brochures, etc, to promote the program with their customers. • Face-to-face and online webinars will be conducted to recruit and train partner allies, empowering them to deliver the program directly

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	to their customers.
Evaluation Requirements	Incentives with deemed savings, agreed to and set by the Commission, will be offered through trained staff of the participating utilities, supported by a cadre of local market providers (allies). As projects are completed and applications approved, the deemed savings, grant amounts, and all relevant customer information will be entered, stored, and tracked in the central database. A sample set of completed projects receiving incentives from the CIEE program will be verified by evaluators using methods including, but not limited to, file reviews of relevant documentation and on-site equipment verification, and surveys with participants and allies.
Estimated Participation	Over 240,000 units of qualifying equipment.
Budget	$1.66 million in incentives
Savings Targets	15,684 net MWh
Program Metrics	• Identify and connect with existing program allies and relevant business associations during first two months after SAIC begins operating the program. • Launch advertising program and program training opportunities • Four breakfast meetings or webinars informational/training sessions for trade allies during first three months to explain the program operation • Contact all major retailers in each service territory during first six months of operation • Direct contact with top 100 energy users in first year of program operation

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PROGRAM	Commercial and Industrial New Construction (CINC)
Target Market	All commercial, institutional, governmental and industrial sector customers receiving electric power from HECO, MECO, or HELCO are eligible under this program. The program targets new construction and major renovation projects as defined by ASHRAE or IECC in these markets to encourage the installation of measures with high energy savings potential in lighting, cooling, motors, ventilation, and enhanced building envelope design. Design support will be provided for whole building and comprehensive designs that include multiple measures with interactive effects. Custom applications can include compressed air systems, heat recovery hot water, variable frequency drives (VFDs), demand control ventilation, lighting and building controls, and renewable energy systems such as solar thermal, SWACS, and biogas recovery.
Market Barriers	The new construction program is designed to overcome the following market barriers: - Higher initial first cost - Unfamiliarity with energy efficient technology - Limited assistance for design and evaluation of energy efficient technology - Life Cycle Cost vs. Simple Payback decision analysis - Availability of energy efficient technology due to low market demand
Program Objective	The program objective is to provide the building development community with the information and analytic tools that will support long term, above code compliance design decisions and provide financial incentives that reduce first cost barriers.
Program Strategies	New construction is the construction of a new facility, the construction of an addition to an existing facility, or the major renovation of an existing building (gut/rehab or usage change). The major benefit of the program is that it helps identify energy efficiency and renewable energy opportunities when they are least costly and mostly to be installed so as to avoid lost opportunities and the need to go back, after construction, to make expensive building and equipment modifications. The key groups in these decisions include developers and their architects and engineers. SAIC will recruit the local A&Es, equipment providers and energy service providers and consultants (allies) who typically serve these markets, educate them about the program benefits and process and solicit their support to deliver the design assistance and program incentives to their customers. Program and energy efficiency design training will be advertised and offered to potential program partners through local breakfast and lunch meetings. Where possible, SAIC will seek out and develop synergistic relationships with willing associations that have market connections. The SAIC team will meet with developers to identify new projects and to assess energy efficiency opportunities early in the project schedule while

	time still exists for their inclusion. This ensures maximum impact on these potential lost opportunities. SAIC will provide program management and develop program procedures, incentive rate levels, and application forms. It will recruit participants, review designs for efficiency opportunities and advise participants of program eligibility and incentive potential, calculate and issue incentive offerings, and process incentive applications and payments. SAIC program staff will recommended incentive levels, for approval by the Commission or its agent. Incentives will be available for measures and designs that exceed some threshold above code requirements or current standard design practice, whichever is stricter. HECO Companies may continue to provide implementation support services. After review and approval of the energy savings offered by the proposed design, the program applicant may proceed with equipment purchase and construction. All applicants must receive approval from the program before construction. When construction is complete, the customer submits documentation of completion, including equipment invoices and other verification data that supports the installation of the energy savings which served as the basis for the incentive offering. SAIC will review the supporting documentation and confirm the installation complies with the terms of the incentive offer. SAIC or its agent will send a grant check to the applicant upon receipt and verification of all required documentation. Calculated energy and demand savings, grant amounts, and all relevant customer information will be entered, stored, and tracked in the central database.
Program Description	SAIC will provide building owners, developers and design teams with the tools to make informed energy decisions about managing operating costs and addressing equipment efficiency options that improve occupant comfort and satisfaction. The New Construction Program (CINC) will provide technical project assistance, financial incentives and training opportunities to building owners and design teams. This program will offer a combination of prescriptive and custom incentives and design assistance to ensure that eligible projects take advantage of opportunities to achieve the highest achievable energy efficiency levels. SAIC staff and other local providers will provide design assistance from the project start to identify the best design considerations and promote investments in them through prescriptive and custom incentives. The incentives will be offered for designs or equipment that exceeds some baseline threshold above code or other standards. This program will be delivered by program staff, utility representatives, and trained market partners. For the first six months, this program will continue with the existing program. However, process modifications will be identified, recommended, and adopted for the full transition.
Key Changes	Program baseline efficiency thresholds will need to be adjusted to coincide with the adoption of statewide Hawai'ian energy code which will likely occur in the next few months.
Program Duration	PY2009 to PY2010.
Eligible Measures	Any cost beneficial building component measure, design strategy, or

	renewable technologies that can demonstrate electric energy savings and pass the Total Resource Cost Test. High efficiency measures can include air conditioning, lighting systems, day lighting and lighting controls, building controls and automation, NEMA premium efficiency motors, variable speed drives, ventilation systems, fans, pumps, air compressor systems, and improved envelope designs.
Incentive Strategies	Customers will be awarded incentives based on exceeding a baseline energy use threshold related to code requirements for many standard technologies (generally, prescriptive-eligible technologies) and for incremental savings on best practice technologies that replace initial design technologies. The incentive structure will be agreed to and set by the Commission or Contract Manager and is likely to be less than prescriptive levels for standard technologies. For example, lighting incentives will likely be based on best practice technology that exceeds code requirements; cooling on the basis of tons and EER level in excess of code; and compressed air on the basis of best practice technology compared with conventional sales. Incentives may not exceed the full incremental cost, relative to the baseline technology cost, and be must be cost-effective from the program perspective.
Implementation Strategies	The Program will have two program tracks: an equipment-based prescriptive track and a whole building comprehensive track. The prescriptive track will offer a menu of equipment specific incentives based on energy efficiency performance ratings that exceed ASHRAE 90.1 2004 (the proposed statewide Hawai'ian energy conservation code will be based on IECC 2006 references ASHRAE 90.1 2004. The equipment type and efficiency performance thresholds will parallel those offered by CICR to avoid confusion between programs and prevent gaming between programs. These incentives are intended for simple, less complex new construction eligible projects that offer limited opportunity for design changes or innovation. The comprehensive track will provide tiered incentives based on cost savings improvements over a code compliant based performance threshold as supported by industry accepted engineering calculation methodologies or energy modeling defined by ASHRAE 90.1. COMCHEC might also be used to demonstrate performance improvements. Per unit incentives will increase with incremental cost performance improvements. These incentives are intended for more sophisticated, complex projects with multiple systems interacting and offering significant opportunity for design innovation and energy savings. This track will especially focus on projects offering opportunities to modify envelope design and reduce internal loads and equipment capacities.
Transition Strategies	Initially SAIC will work with the existing HECO Companies' representatives to contact existing program participants and pending applicants to assure participant of the continuity of the program and its commitments and to learn of the project status. SAIC will also identify contractors and design team members of current project applicants for outreach and to advise of program requirements. New project opportunities will also be discussed at this time with these contacts. Program changes will be based on improvements to building codes and timed to occur simultaneous with new code adoption to

	piggy back off the code improvement and the publicity and educational programs surrounding such adoption.
Marketing Strategies	Web-based application forms will be advertised and made available to customers, developers, architects and engineers. These allies will be trained and recruited as program partners to enhance energy efficiency upgrades to new facilities. Architects, in particular, are quick to adopt new design strategies and likely will be receipt candidates for the program's message. In addition to face-to-face breakfast trainings, program training webinars will be conducted to recruit and train partner allies. SAIC will network and develop relationships with the key market players, in order to understand the markets and decision points and how to leverage program incentives and design assistance for their customers. The participating utilities will provide information to customers on how to participate through their various channels, such as direct mail and web pages. Application forms and marketing brochures will be developed by SAIC. SAIC will publicize success of customer and A&E firms to demonstrate the highest levels of leadership in an effort to pull the market. This publicity will include press releases, case studies, demonstration showcases, and special recognition at conferences and other public events.
Program Ally Strategies	SAIC will develop contacts with the local chapters of AIA, ASHRAE, the Hawai'ian Council of Engineering Societies and BOMA and request opportunities to meet with membership to present program information and application details. Early contact with these organizations is essential since program calendars fill up quickly and are in place by early fall. SAIC will also serve as a resource for design efficiency information.
Evaluation Requirements	To be determined
Estimated Participation	Approximately 100 buildings
Budget	$1.47 million in incentives
Savings Targets	21,255 net MWh
Program Metrics	• Identify and connect with developers, architects, and engineering firms related to the target markets • Launch advertising for program and program training opportunities • Provide direct contact to the top 20 building developers and A&E firms within the first year • Three program training webinars in first year

PROGRAM	Commercial and Industrial Customized Rebate (CICR)
Target Market	All commercial, institutional, government and industrial sector customers are eligible under this program. The program targets specific markets with high energy savings potential in lighting, cooling, ventilation, for commercial market segments such as offices, hotels/resorts, grocery stores, and schools.
Market Barriers	The custom incentive program is designed to overcome the following market barriers: ▪ Limited Capital Cost ▪ Actual / Perceived Productivity Risk ▪ Limited market acceptance of new technologies ▪ Low market knowledge of opportunities ▪ Low market understanding of savings resulting from opportunities ▪ Lack of market visibility of energy efficiency options
Program Objective	The program objective is to provide a custom application and granting process for participants to receive incentives for installing non-standard energy efficiency technologies. The commercial and industrial custom incentives will enable customers to invest in energy efficiency opportunities related to manufacturing processes and other technology measures that may require calculations of energy savings for specific, unique applications.
Program Strategies	Incentive awards will be based on calculated savings that ensure program cost-effectiveness. Participants must notify the program prior to the project so that existing equipment can be inspected. Engineering calculations are required and will be subject to internal program engineering review. Projects must have a payback of greater than one year and pass the benefit-cost test. The incentive rate for retrofits is based on energy savings and the total incentive will not exceed the 50 percent of incremental cost of the energy efficiency improvement. To apply a customer or his agent must submit a brief proposal that describes the project and includes estimates of energy savings and payback. The customer may also call the program to request assistance. SAIC will continue to use the existing program infrastructures, incentive structure, and marketing and delivery network during the transition period, and during this period, will review the program to identify possible efficiencies of operation and programmatic enhancements. This program will be delivered by SAIC program staff, utility representatives, and trained market partners.
Program Description	This program will provide a custom application and granting process for participants to receive incentives for installing non-standard energy efficiency technologies. The intent of this structure is to enable customers to invest in energy efficiency in processes and other technology measures that may require calculations of energy savings for specific, unique applications. Incentive awards will be based on calculated savings that ensure program cost-effectiveness. Participants must notify the program prior to the project so that existing equipment can be inspected. Engineering calculations are required and will be subject to internal program engineering review. Projects

	must have a payback of greater than one year and pass the utility benefit-cost test. The incentive rate for retrofits is based on energy saved and the total incentive will not exceed the 50 percent of incremental cost of the energy efficiency improvement. Common custom technologies include, but are not limited to, VFDs for HVAC pumps and fans; air conditioning system upgrades, such as controls and change-outs; process heat recovery, booster pumps, heat pump water heaters, and renewable energy technologies. To apply a customer or his agent must submit a brief proposal that describes the project and includes estimates of energy savings and payback. The customer may also call the program to request assistance. SAIC will continue to use the existing program infrastructures, incentive structure, and marketing and delivery network during the first few months of taking over the program, and during this period, will review the program to identify possible efficiencies of operation and programmatic enhancements. This program will be delivered by SAIC program staff, utility representatives, and trained market partners. One advantage to this program is that it provides an opportunity for more complicated project proposals to be vetted and funded. These incentives *help to reduce payback periods and lower first-cost.*
Key Changes	Potential changes to the program • Simplification from two separate rates to one single incentive rate for both existing buildings and new construction with incentive for both kW and kWh saved. • Multi-year incentive disbursement will not be offered. (pros/cons) • Introduction of a feasibility study incentive
Program Duration	PY2009 through PY2010
Eligible Measures	Custom incentives will be available for all energy-savings opportunities that are not already covered by the prescribed incentives. Custom incentives will not be limited to a certain list of measures. Common custom technologies include, but are not limited to, VFDs for HVAC pumps and fans; air conditioning system upgrades, such as controls and change-outs; process heat recovery, booster pumps, and heat pump water heaters.
Incentive Strategies	We will maintain the incentive levels currently used by the program. The custom incentive for any given project will be based on the expected annual energy savings and will be calculated by applying incentive rates approved by the commission to the amount of peak kW reduction and the total kWh expected to be saved in the first year following project completion. Incentives will be limited to not more than 50% of the project cost and will only be eligible for projects which are determined to be cost effective. Creative incentive strategies will be utilized through the program year to increase participation. Examples of such program may include, but are not limited to;

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	▪ Targeted feasibility study offerings to create new projects in select technology areas ▪ Retrocomissioning offerings to uncover new projects in energy intensive systems
Implementation Strategies	▪ Update forms to reflect changes ▪ Hold kick-off with market allies, business and trade associations nterested large customer accounts ▪ Provide example projects and complete example applications to show applicants what a counts as a complete application
Transition Strategies	Work through participating utility staff and through marketing outreach to prepare market for upcoming changes
Marketing Strategies	Web-based application forms will be advertised and made available to customers and their equipment/services allies. Allies will be trained and recruited as program partners to enhance sales of their energy efficiency equipment and services. In addition to face-to-face breakfast trainings, program training webinars will be conducted to recruit and train partner allies. SAIC will network and develop relationships with key market players, including business associations and chains, in order to understand the markets and decision points, and to leverage their marketing resources to inform members. The participating utilities will provide information to customers on how to participate through their various channels, such as direct mail and web pages. Application forms and marketing brochures will be developed by SAIC. SAIC will publicize success of customer and ally partners to demonstrate highest level leadership in an effort to pull the market. This publicity will include press releases, case studies, demonstration showcases, and special recognition at conferences and other public events.
Program Ally Strategies	Offer program ally custom incentive training through webinars and workshops to ensure program allies are comfortable with utilizing all aspects of the custom incentive program to sell more energy-efficient options to their respective customers.
Evaluation Requirements	To be determined
Estimated Participation	Over 700 individual measures
Budget	$2.1 million in incentives
Savings Targets	21,345 net MWhs
Program Metrics	• Identify and connect with key business associations related to the target markets • Launch advertising for program

7.0 LOW INCOME/HARD TO REACH

SAIC will target low-income and hard-to-reach customers as defined by the Commission during PY2009. The hard-to-reach population will be served by existing programs that provide assistance or incentives for appropriate end-use technologies, but will be marketed in a targeted fashion through community outreach efforts to encourage broad participation.

For the low-income sector, SAIC will work in cooperation with local Weatherization Assistance Program (WAP) providers to maximize and supplement those program's efforts. Due to the recent assignment of significant federal funding to WAP for this year, SAIC may alter plans for serving this sector to be more aligned with those one-time efforts to reach low-income households. We will further develop our plans to serve this sector as federal funding is allocated across the State.

Our initial plans for the low-income and hard-to-reach sectors are described in greater detail in the following pages.

PROGRAM	Residential Low Income
Target Market	The Federally funded Weatherization Assistance Program, supplemented by other funds, has helped low-income families install insulation jackets and timers on water heaters, provided new heat pump water heaters, and offered advice on improving energy efficiency. In Hawai'i, the program is administered by the Department of Labor and Industrial Relations, Office of Community Services. For the past two years, HECO has been in the process of developing a low-income program for single-family customers. The program was planned to target low-income single-family owners and renters, qualified under the State of Hawai'i low income guidelines. HECO has been in negotiations with established third-party agencies that typically deal with low-income customers, such as the Honolulu Community Actions Program (HCAP) to administer the program. HCAP was to develop the marketing and promotional materials, recruit and qualify customers, certify the installations, and schedule the onsite work. SAIC had proposed to explore the possibility of providing additional funding to the agencies to provide services to households that are above the eligibility criteria for WAP services (150 percent of the poverty level), but may still be considered low-to-moderate income (200 percent of the poverty level). However, *in January 2009, as part of the American Recovery and Reinvestment Act of 2009, the Weatherization Assistance Poverty guidelines* were increased to 200% of federal poverty level. Another part of that legislation provided significant funding increases for Weatherization services. SAIC has begun discussions with the Department of Labor and Industrial Relations (DLIR), Office of Community Services (OCS) program staff who administer the state Weatherization funds, to determine the best use of the low-income funds under SAIC's administration that will complement any planned expanded services by Hawai'i's WAP providers. DLIR has issued an RFP for not for profit agencies to submit proposals for funding under the 2009 supplemental funding amount of approximately $4.1 million. Proposals were due on May 7th, 2009. SAIC will continue meetings with the agency after this date to discuss funded proposals and to determine how best to coordinate SAIC program funding with the proposed services.
Market Barriers	Customer lack of access to capital for energy improvements Lack of understanding of energy efficiency benefits Reluctance to invest in property if not owner Split incentives – tenants vs. landlords
Program Objective	To achieve kWh savings and reduce energy costs for low-income customers
Program Strategies	Program will be offered through a proposed Contractor-based strategy, utilizing existing network of CAP agencies in HECO territory and Economic Opportunity agencies that provide low-income services in MECO and HELCO service territories. SAIC will provide program oversight of CAP and other contractors' services, training (including auditor training) as needed, educational and outreach materials, and reimbursement for program services

	and measures. Depending on program funding levels, a refrigerator replacement component will be explored and considered as an addition to the program in the 2010 program year. SAIC will work with appliance manufacturers to implement a bulk refrigerator purchase, if availability of high efficiency models is a limiting factor. Key to program efforts will be continuing outreach to groups and organizations that impact or administer low-income services and programs.
Program Description	The current HECO program strategy is to enable qualified low-income single family customers, as defined by the State of Hawai`i guidelines, to receive installation of CFLs and high efficiency water heating measures at no cost to them. The program has been in the planning and very early implementation stages for the past two years. HECO's program was set up to work with established third-party agencies that typically deal with low-income customers, including Honolulu Community Actions Program (HCAP). The HCAP agencies would be developing the marketing and promotional materials, recruiting and qualifying customers, certifying the installations, and scheduling the onsite work. The qualified customers would not have to pay for the installation of the measures. HECO and HCAP jointly developed an agreement outlining the expectations and responsibilities for each partner. Numerous meetings were held at the main HCAP office and trainings at each of the regional offices discussing how this program could be effective with all levels of personnel. During this time applications were developed and processes for helping applicants fill the forms were tested, resulting in modifications to ensure that personal income levels would not be shared with HECO to protect the applicant's privacy. Due to funding and manpower shortages at HCAP, HECO funded an additional HCAP employee to help administer the program. HECO has also researched and identified venders for purchase of CFLs, showerheads, faucet aerators, and worked out systems with HCAP for accounting and maintaining inventories. HECO did not expect any impacts from the RLI Program until after the HCAP took applications for the State of Hawai`i's Low-Income Home Energy Assistance Program (LIHEAP) in June 2008. A person was hired by HCAP in April of 2008, who created procedures, documentation and reports to assist in the communication flow. However that person left two weeks prior to the start of June. The position was not filled by HCAP as they entered their busiest time of the year dealing with LIHEAP applicants. From June to October approximately 1,000 applications were received by HCAP's offices. These applicants qualified for the income levels, however, many applications had to be disqualified due to the issue of the hot water coming from a central hot water system instead of an electric, stand alone, residential sized water heater. HECO started the process in 2008 to search for qualified installers and has continued that process in 2009.
Key Changes	SAIC will continue to work with HCAP to develop program services for low-income customers in HECO's territory, and will initiate discussions with the agencies that provide low income services in HELCO and MECO service territories. Based on the results of the RFP process, SAIC will develop complementary elements to the proposed programs and services. SAIC will develop an audit component to serve low-income customers, through its new

	Residential audit program. Low-income customers will be provided audits, including customized recommendations, direct installation of compact fluorescent bulbs, faucet aerators, low-flow showerheads, hot water tank setback, and educational materials, at no charge. Depending on available funding, a Refrigerator Replacement component will be considered as part of 2010 programs. Refrigerator coil cleaning would be provided for units that are not replaced. In addition, low income customers with central air conditioning units would be eligible for air conditioning tune-ups through SAIC's expanded ESH program. SAIC will conduct the following activities to implement proposed new program additions: • Continue to work with HCAP and Economic Opportunity agencies to assume delivery strategies, including energy audits (if possible), direct installation of measures and administration of A/C tune-up for their clients. If agencies are unable to deliver all components, we will work with them to assume administration of audit and direct installation services provided by outside contractors. • Explore the addition of a refrigerator replacement component. If necessary, work with appliance manufacturers to implement a bulk purchase of refrigerators, if availability of high efficiency models is identified as a need, • Provide training seminars and educational materials for agency providers on program procedures and additional measures, • Enhance partnerships with existing allies and develop new ones to continue to identify new opportunities for serving low-income customers. Allies include HCAP and Economic Development agencies, housing and community associations, state and local governments, HVAC contractors, appliance manufacturers, and appliance recyclers, and • Develop pilot project for targeted neighborhood approach. *Note: Based on program funding levels, SAIC will explore the cost effectiveness of adding a Refrigerator Replacement component to be added in the 2010 program year. If this component is added, SAIC will explore the feasibility of developing a refrigerator/appliance recycling facility on Oahu that could serve the entire state.*
Program Duration	PY2009 through PY2010
Eligible Measures	Energy audits, direct installation of compact fluorescent bulbs; water heater blankets; low-flow shower heads; faucet aerators; pipe insulation; refrigerator coil cleaning; A/C tune-ups for owner occupied households with central air conditioning systems.
Incentive Strategies	Installation contractors (CAP agencies or other contractors) will receive a negotiated reimbursement amount for audits and the cost of direct installation of measures. A/C tune-ups will be provided at no cost for eligible households through ESH program.
Implementation Strategies	SAIC will continue to work with the HCAP and EO agencies to determine the appropriate implementation strategy. SAIC proposes to develop a statewide network of HCAP and EO program providers to help low income customers understand and reduce their energy consumption. Contracted services would include developing program marketing and promotional materials, recruiting and qualifying customers, scheduling onsite work, conducting energy audits

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	and educational sessions, installing or overseeing installations, and certifying installations. Key to this program is the cooperation with the local Community Action and Economic Opportunity agencies to develop the program components to generate energy savings in each household served. SAIC will conduct training sessions for the CAP and EO agency staff and provide educational materials for the new measures. A program representative from SAIC would be the liaison for the program, and would oversee the administration of the funded portions of the program. SAIC would refer prospective participants to the program through its Program Information hotline and through outreach in other program areas. The program representative would inspect a sampling of completed installations and address problems if necessary. Depending on available program funds, SAIC will consider introducing a refrigerator replacement component in the second year of program operation and a bulk refrigerator purchase program if necessary. If this component is implemented, SAIC will also explore the possibility of establishing a refrigerator/appliance recycling facility on Oahu that could serve the entire state.
Transition Strategies	• Continue to develop delivery mechanism through CAP/EO agencies • Meet with statewide administrator, CAP and EO agencies to discuss their plans for additional WAP funding through federal American Recovery and Reinvestment Act and how our program funds can best complement their planned efforts • Negotiate with WAP/EO agencies or another contractor for services and measure reimbursement costs
Marketing Strategies	• Outreach to major housing, community associations • Targeted newspaper and TV ads for low-income services and refrigerator replacement • Informational sessions for HVAC contractors • Marketing through CAP and Economic Opportunity agencies
Program Ally Strategies	SAIC will conduct outreach through meetings and presentations to groups and organizations that provide services to low-income families and individuals. SAIC will develop relationships with key allies, including Community Action Programs and Economic Opportunity agencies, housing and community associations, state and local government agencies, Rebuild Hawai`i, and appliance manufacturers. An advisory committee will be set up to help guide the program and identify opportunities for enhancement.
Evaluation Requirements	To be determined
Estimated Participation	SAIC will seek to provide services to 2,000 low-income households
Budget	$276,000
Savings Targets	2,369 net MWhs
Program Metrics	• Continue negotiation with state and local Weatherization agencies during first three months of operation to identify coordinated program strategies • If necessary, identify another contractor to provide program services

	• Outreach to major housing, community associations during first six months • Launch advertising during first six months • Framework for refrigerator replacement program in second year of program • Review potential for bulk refrigerator purchase program in second year • Three pilot project neighborhood campaigns during 2010

PROGRAM	**Renters of Individually Metered Housing Units / Master Metered Multi-Family Housing**
Target Market	Renters of units in buildings with more than 4 units
Market Barriers	There are a high number of inter-related barriers that must be addressed in this segment because of serious concerns that residents of multi-family buildings are not receiving an equitable portion of the public investment in efficiency, and are less equipped financially to deal with the results of the inequity. In addition to financial barriers, there are often language barriers and geographic barriers. Multi-family housing in high density urban areas are often easier to identify and reach through programs than those located in suburban or more remote areas. The home ownership (split incentive) issue is also a barrier to tenants' investing in energy efficiency because landlords usually own the larger energy using equipment.
Program Objective	Provide equity of service by targeting hard to reach tenants in multi-family buildings to improve energy efficiency and reduce their energy costs.
Program Strategies	There are two strategies for tenant participation; one customer-based, and the other a contractor-based approach. Renters can participate either through the expanded Energy Solutions for the Home (ESH) program to receive rebates on ENERGY STAR® equipment, or they can participate in the Community Pilot Program, in which whole neighborhoods will be targeted for energy efficiency campaigns.
Program Description	Renters can participate in the expanded Energy Solutions for the Home (ESH) program to receive rebates on ENERGY STAR® equipment that may be readily transported upon relocation, including possibly: ▪ Dimmable and specialty CFLs ▪ Room Air Conditioners ▪ LED Lighting ▪ Home office and electronic equipment Multi-family buildings will be targeted as part of the Pilot project neighborhood campaigns. These campaigns will include a simple energy audit and educational component, to help tenants understand how they use energy, and how to reduce energy consumption and costs. Direct installation of several measures at no charge will include water heater tank wraps, pipe insulation, faucet aerators and low flow showerheads. Other no-charge measures will include refrigerator coil cleaning and replacement of air conditioner filters, if appropriate, and hot water tank temperature setback. If the residence does not have compact fluorescent bulbs, up to four compact fluorescents and up to two dimmable CFLs (if dimmers are present) will be

	installed. A more detailed description of the Community Pilot Program is provided as a separate document.
Program Duration	PY2009 through PY2010
Eligible Measures	For participation in ESH, incentives will be provided at the same rate for any measures that are included in the ESH program. For the Community Pilot Program, measures will include no charge simple energy audits and direct installation of measures, as determined to be appropriate, including water heater tank wraps, pipe insulation, faucet aerators and low flow showerheads. Other no-charge measures will include refrigerator coil cleaning and replacement of air conditioner filters, if appropriate, and hot water tank temperature setback. I f the residence does not have compact fluorescent bulbs, up to four compact fluorescents and up to two dimmable CFLs (if dimmers are present) will be installed.
Incentive Strategies	Incentive levels for ESH participation will be provided through ESH Program description. For the Community Pilot Program, energy audits and direct installation of measures will be provided at no charge, to overcome the barrier of tenants' unwillingness to pay for measures that would likely remain in the unit if the tenant relocated.
Implementation Strategies	SAIC will use ESH as the primary vehicle to offer services to this market.
Marketing Strategies	In addition to marketing strategies in place for ESH, SAIC will undertake a community marketing campaign to enlist broad program participation in Community Pilot projects.
Program Ally Strategies	Outreach to neighborhood, city, county, state and federal housing agencies and associations, other government agencies providing low-income services, Rebuild America, Economic Opportunity and Community Action Agencies.
Evaluation Requirements	To be determined.
Estimated Participation	Included in ESH, tracked separately.
Budget	Included in ESH
Savings Targets	Included in ESH
Program Metrics	• Outreach to major housing, community associations and other allies during first three months after transition to explain participation opportunities and identify project opportunities • Three Community Pilot campaigns during first year of operation

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PROGRAM	Small Commercial Installation Program
Target Market	Businesses with fewer than 50 employees.
Market Barriers	Small business owners are typically without the access to both energy advisory services and project financing to identify and implement cost-effective energy saving measures for their facilities. These barriers are particularly evident in economically challenged communities.
Program Objective	Provide a service to businesses that produces energy savings at little or no cost to the business owner and to provide jobs.
Program Strategies	This customer segment will be eligible for prescritptive incentives under the Commercial and Industrial Energy (CIEE) program. They will also be served as part of SAIC's Community Pilot program. For the neighborhood pilots, SAIC will employ and/or train installation contractors to identify and install low-cost measures that will increase operational energy efficiency. We will make use of local providers to the extent possible; our efforts will create additional employment opportunities in many communities.
Program Description	Small business owners can purchase qualifying equipment and apply for incentives through the CIEE. For the Community Pilot program, pre-approved contractors will go on-site to assess opportunities for increased efficiency from lighting improvements, minor cleaning and adjustments to refrigeration systems, etc. While on-site, those contractors will install up to a prescribed maximum of upgraded lighting and other low-cost measures free of charge to the business owner. Additional work may be identified and completed at some cost to the owner.
Program Duration	PY2009 through PY2010
Eligible Measures	High efficiency interior and exterior lighting and controls, cooling and ventilation, appliances, basic refrigeration system components, building automation components. Other cost effective measures will be added to CIEE over time. Specific direct install no-cost measures for the Community Pilot program will be identified during the program development stage.
Incentive Strategies	For the no-cost direct installation component there will be no additional incentives. However, owners can apply for incentives through CIEE for measures for which they are paying an installation fee.
Implementation Strategies	Small business owners can apply directly for CIEE incentives, using online or hard copy applications. For the direct install component, SAIC will establish a network of pre-approved contractors who will market the program directly. We will establish sufficient reporting and post-inspection rigor to assure a high quality of service.
Marketing Strategies	In addition to CIEE and contractor marketing efforts, SAIC will use the Community Pilot program as a vehicle for targeted promotion.
Program Ally Strategies	See vendor and contractor strategies for CIEE .
Evaluation Requirements	To be determined.

Estimated Participation	Included in CIEE
Budget	Included in CIEE and will be included in the Community Pilot budget, for that portion of the program.
Savings Targets	Included in CIEE and savings goals will be developed for the Community Pilot small business portion.
Program Metrics	• Identify and connect with key business associations serving the small business community • Launch advertising for CIEE, highlighting small business opportunities • Outreach to identify potential Community Pilot contractors • 3 Information and training sessions for contractors by end of 2009

8.0 RENEWABLE ENERGY PROGRAM

SAIC is developing a Photovoltaic Rebate program for later adoption. SAIC has retained the services of the Wisconsin Energy Conservation Corporation (WECC) to design this program for Hawai`i because of their depth of experience in designing similar programs. WECC will have the initial program design delivered to SAIC in June, 2009. Although SAIC's contract does not require that we implement the resulting program in the first program year, we believe that the influx of federal stimulus money may make early adoption feasible, and perhaps desirable.

SAIC recommends that the Commission explore avenues to fund the Photovoltaic Rebate program during PY2009 or early PY2010.

9.0 PROGRAM ADDITIONS

SAIC will be engaged in program enhancements as well as entirely new programs for delivery during PY2009. Programs and enhancements that we will introduce during the first year include:

- Commercial Retro-Cx
- Home Audit & Tune Up (to be introduced as pilot during first year under ESH)
- Community Pilot Project
- *Custom Project* RFP
- Service Buy-Down

Programs to be added in PY2010 include:

- Residential & Small Business Low Interest Financing
- Green Buildings Program (included as element of both new construction programs)
- Performance Buy-Down

A brief description of each of these program additions is given below.

Commercial Retro-Cx

The Commercial Retro-Commissioning (RCx) program will provide the ability for C&I end-users to receive a thorough retro-commissioning investigation of their key end-use systems. The intent of this program is to enable customers to find and invest in no-cost to low-cost energy efficiency measures. Typically 5 to 20% of energy use in a facility can be saved by a RCx process that tunes-up existing systems and in many situations, gets the system to function efficiently for the first time.

The RCx program also provides a building integration investigation that will identify longer payback investments. These longer payback measures will then be referred to the CIEE and CICR programs to assist the building owner in identifying other HEEP offerings to support implementation. Besides higher savings for these other programs, the fact that projects were identified during the RCx investigation will provide a higher attribution rate for these savings.

To apply for incentives, a customer or his agent must submit a brief proposal that describes the project and includes estimates of energy savings and payback. The customer may also call the program to request assistance. SAIC will engage local commissioning providers, especially those affiliated with the Building Commissiong Association (BCA). The customer applications will indicate a need for the customer to provide funds for projects identified under a one year payback. The cost of the RCx study will be initially covered at 75% of the full cost.

SAIC will develop this program as a new offering for launch later in PY2009.

Home Audit & Tune Up

The Home Audit and Tune-Up (HAT) Program will be introduced as a pilot during the first year as part of the ESH program. After the first year, the HAT program will be "spun off" to become a separate offering, building on the audit portion of the ESH program. The purpose of the HAT program will be to provide auditing services to help homewoners identify potential energy saving projects, ensure that homeowners have the information they need to make decisions regarding energy capital improvements and to facilitate a better understanding of the impact these projects will have on their home energy use.

Community Pilot Project

This program will provide an innovative approach to program delivery and outreach by engaging entire communities in neighborhood energy efficiency through a series of campaigns. Program offerings are expected to include the delivery of educational material on making energy efficiency improvements, energy audits and direct installation of several measures including water hear tank wraps, pipe insulation, faucet aerators, high efficiency showerheads, refrigerator coil cleaning, replacement of air conditioner fliters, hot water tank temperature setting reductions. A limited number of CFL and dimmable CFL lamps may be provided for each residence if CFL technology is not already installed there.

An important facet of the Community Pilot Project is the inclusion of input and services from a regional advisory group with representatives from Community Action and Economic Opportunity Agencies, housing and tenant associations, Chambers of Commerce and other related groups.

Custom Project RFP

Even the most throughly designed energy program portfolios cannot cover every possible energy saving project that stakeholders may identify. For this reason it is important to recognize that some conservation measures not explicitly defined by the programs may have significant energy savings and other benefits for the community. Thus, the purpose of the Custom Project RFP is to solicit special opportunities that do not readily fall within the scope of other programs, ensuring that these unique, and often innovative ideas receive the same consideration and support as more conventional projects served by other offerings.

Many times the projects identified at larger, more complex commercial, institutional and industrial facilities do not fit within the boundaries of standard offerings even though the larger scope of these projects equates to greater energy savings. Consequently, the Custom Project RFP program an important component as it is expected to capture energy savings at these sites. Another advantage of the RFP approach is the ability to target emerging technologies and to provide the customers or allies with deadline for moving forward on projects.

Service Buy-Down

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The Service Buy-down program will be established to provide incentives to offset a portion of the cost of energy efficiency services such as air-conditioner tune-ups, compressed air leak surveys, etc. The incentives will be based on a per-unit basis for the number of system components involved in the survey and resulting maintenance. For instance, the benefit to a facility owner for a compresed air system survey will be based on the number of verified leaks that are repaired.

Service Buy-Down incentives are readily adopted in programs where Trade Allies are used to promote the program and the offerings. By using the established networks in the marketplace, the demand for service buy-downs can increase rapidly after program launch.

Residential & Small Business Low Interest Financing

The Residential and Small Business Low Interest Financing program will be made available in cooperation with local banks and the SAIC Team partner Bostonia to provide homeowners and small businesses with access to needed capital for energy efficiency improvements. Financing could be made available for energy efficiency measure installations, renewable energy projects (solar, wind, and bio-mass), and energy savings performance contracts/utility energy services contracts ("ESPCs and UESCs").

Green Buildings Program

The Green Buildings Program will be an element of both the commercial and residential new construction programs. The offerings included in this program will encourage the inclusion of green and sustainable design features that are appropriate for Hawai`i's unique climate conditions and energy supply issues. Elements such as natural ventilation to reduce the need for mechanical cooling, vegetated roofs to reduce storm water runoff and lower cooling loads, as well as advanced daylight harvesting systems to minimize the need for artificial lighting are among the many features that we envision for these programs.

Performance Buy-Down

The Performance Buy-Down program will provide financial incentives to encourage the participation of third-parties in the implementation of energy projects on a savings-based performance contract. Energy performance contracting is an arrangement through which contractors, ESCOs and other third parties (outside of the owner) are incentivized to deliver energy savings project, including the actual installation of efficient equipment. This program track will "buy down" a performance contract, making the terms more financially viable, to encourage that both business owners and service providers adopt performance contracting agreements as a means for energy project implementation.

10.0 IMPLEMENTATION AND DELIVERY APPROACH

SAIC will design an implementation and delivery approach to promote and increase program participation and awareness of energy efficiency. Ultimately, increased participation will result in higher levels of kWh savings and reduce energy costs for all participating residential and business customers. We will employ strategies that will maximize the use of local markets and delivery channels for each sector and each island. A discussion of the strategies that we will implement in PY2009 follows.

10.4 General Strategies

The major elements of providing cost-effective energy savings are increased participation, maximization of savings, and streamlined processes. Those three components together allow delivery of the highest level of savings at the lowest cost.

The design of our program delivery services includes the streamlining and computerization of as many processes as possible. Examples of actions to streamline processes include:

- Use of web-based program applications for all programs to reduce processing costs associated with data entry.
- Development of a tracking and management system to decrease the amount of direct staff interaction with data. For example, there are now major data elements that are physically transferred from the HECO Companies' database to Honeywell and back again in the current system. SAIC's plan is to reduce cross-system data transfer.
- Automation of all reporting functions from a single source. SAIC's system will move towards full integration that will reduce the time spent preparing monthly reports, invoices, etc.
- Use of client relation-based software to identify opportunities to maximize savings from a single applicant. Salesforce is a customer-management tool at its core and will allow SAIC to recognize other projects in which a single contact may be involved. *Consequently, we will more easily bring additional savings opportunities into the program.*
- Establishment of inspection protocols that reduce site visits yet retain high levels of confidence. For some programs, the HECO Companies now inspects 100 percent of all installations. SAIC believes that the establishment of inspection criteria based on a qualified random sampling will provide a high level of confidence in savings at a significantly reduced delivery cost.

At the start of our program delivery on July 1, we anticipate that some of the existing processes (especially the tracking of residential program information) will not change. However, during PY2009 we will develop full integration with our Business programs that will decrease our overall time spent on reporting and will allow for lower cost program delivery services.

10.4 Marketing and Outreach Strategy

From a broad marketing approach to program-specific outreach, SAIC will use a combination of strategies that will foster awareness and cooperation within the Hawai`i's energy efficiency markets. On a macro level we will develop a marketing brand that ties in with other components of the Hawai`i Clean Energy Initiative. And on a micro-level we will use an outreach approach that relies heavily upon partnering with program or trade "allies"- companies or outside organizations that will actively promote the programs to their client base. SAIC will recruit contractors and vendors who are already engaged in the HECO Companies' programs, as well as other potential Allies and energy service providers to deliver the program incentives to their customers. We will work with natural markets by making program information easily accessible to Allies and will encourage their participation by incentives where appropriate. Further, we will offer program information and training to potential program partners through local breakfast and lunch meetings and webinars that do not interrupt their businesses.

The major components of our marketing and outreach strategy are summarized below.

- ***Market Branding*** SAIC will employ the services of a local marketing firm to develop the brand image for the overall HEEP program. This image will be the central theme around which the entire portfolio will be designed. We anticipate that this brand will be consistent with the HCEI image and will line economic and planetary health to the reduction of energy use. Images developed will be incorporated in all media, including newspaper ads, the *program website, program brochures and materials, and application forms. Having a readily* recognized brand will encourage customer awareness and draw more attention to program incentives offered in the marketplace. SAIC will make use of our in-house Creative Services as needed to ensure rapid turnaround to meet program needs.

- ***Market Channel and Cluster Approaches*** SAIC will integrate its outreach efforts into those of the existing marketplace by using a combination of a "channel" and "cluster" approach to program outreach. These approaches use vendors, contractors, and other professionals within specific market channels (e.g., lighting, refrigeration, motors, etc.) to interact directly with their end-use customers to bring in eligible projects. Clusters, on the other hand, are groups that represent the end-use customers (e.g., healthcare associations, hospitality associations, etc.). SAIC will publicize the program accomplishments of both channel partners and market clusters to encourage ownership and commitment from the marketplace. This publicity will include press releases, case studies, demonstration showcases, and special recognition awards. Some element of the channel and cluster approaches include:

    - Provision of training seminars and educational materials for allies and agency providers on program procedures, additional measures and technology advancements;
        - Exploration of opportunities for the contracted agencies to assume additional delivery strategies;
        - Working with appliance manufacturers to implement a bulk purchase of refrigerators, if availability of high efficiency models is identified as a need;
        - Enhancement of partnerships with existing allies and development of new ones to continue to identify new opportunities for serving customers;
        - Provision of specialized resources for targeted markets that enhance existing relationships and develop new arenas to disseminate information;
        - Establishment of quarterly roundtable forums for program discussions on outreach and marketing, delivery, training, technology and project management;
        - Organization of Neighborhood Workshops, with the intent of eliciting participation of both residential and commercial customers;
        - Establishment of Energy Efficiency Awards and competitions for homes;

- ***Community-Based Outreach*** SAIC will expand on established marketing strategies, and expand opportunities through targeted outreach into communities, and via the Community/Neighborhood Pilot Program. This pilot program will serve as a mechanism to provide direct program services and awareness to both the residential and business sectors by involving all members of the community. Furthermore, we will use existing community events, such as energy or environmental fairs, cultural events, etc. to promote community involvement in energy efficiency.

Our marketing and outreach strategies are designed to address the major market barriers to participation. Those barriers include:

- Customer lack of access to capital for energy improvements;
- Undervaluing energy-efficient features;
- Lack of familiarity with or understanding of energy efficiency benefits and technology or how energy is used in residential or commercial settings;
- Limited market acceptance of new technologies;
- Lack of information about product energy efficiency;
- Lack of market visibility of energy efficiency options;
- Reluctance to invest in property if not owner;
- Split incentives – tenants vs. landlords;
- Qualified equipment or products are not available or not easy to source in the area;
- Participant confusion over complex program requirements or structures;
- Higher first costs of equipment or products, due to low levels of manufacturing or demand, or the higher cost of a given technology;
- Limited assistance for design and evaluation of energy efficient technology;
- Education of key decision maker(s) at planning and design stage
- Life Cycle Cost vs. Simple Payback decision analysis.

10.3 Program Ally Coordination

SAIC will rely heavily on existing networks of program participants, vendor and contractor partners, and agencies to deliver the program to end use customers. We will initiate contact with existing program allies prior to July 1 to ensure their cooperation with the programs moving forward and to notify them of any anticipated changes to our offerings. Trainings for program allies will consist of in-person meetings and webinars. While we will reach out to allies across the eliglble service areas with in-person meetings, webinars will provide the easiest and most cost-effective tool for rapid program deployment.

SAIC will develop relationships with key allies, including the Community Action Programs, Economic Opportunity agencies, housing and community organizations, state and local government agencies, Rebuild Hawai`i, HECO Companies, appliance and equipment manufacturers, local clubs and recreation centers, politicians or political groups, development corporations, civic groups, non-profit organizations, businesses and business associations, universities and schools (please see attachment for specific potential program allies). An advisory committee will be set up to help guide the program and identify opportunities for enhancement. In addition, the Residential Efficient Water Heater Program (REWH) may continue to benefit through the marketing efforts of the Solar Technical Advisory Group (Solar TAG), which is made up of members from key sectors of the residential solar water heating industry in the State of Hawai`i. Some of the strategies that we will employ with organizations include:

- Conduct initial roundtable with Program Allies and HECO Companies' program personnel/account managers to discuss potential transition issues;
- Create survey for use in initial roundtable to determine program involvement and understanding
- Establish SAIC membership with relevant residential, commercial and industrial associations;

SAIC will also work cooperatively with State agencies that provide funding or support for energy projects; in PY2009 we will especially coordinate with agencies to enhance the use of federal stimulus money in the development of energy efficiency projects. In addition to the Energy Office, SAIC will work with the Office of Community Services to coordinate the delivery of services and support to the local CAP agencies. SAIC will assist the local Community Action and Economic Opportunity agencies to expand the program components to increase the level of energy savings in each household served. SAIC will conduct training sessions for the CAP and EO agency staff and provide educational materials for all program components.

10.4 Implementation Schedule

SAIC has already initiated our marketing and outreach strategy through meetings and information exchange with many of the key market participants and state agencies involved in efficiency initiatives. This effort will be ongoing throughout the program period and the number and composition of outreach participants will vary as the programs evolve.

Our plans for program transfer call for a high level of effort prior to the July 1 target date and thereafter to keep participating companies, organizations, and agencies informed and involved in the efficiency programs. Figure 10-1 below provides an overview of SAIC's schedule for implementation and delivery of our marketing and outreach approach.

Figure 10-1
Schedule for Implementation of Marketing and Outreach

Program Name & Action	May '09				June '09				July '09				Aug '09				Sept '09				Oct '09				Nov '09			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Marketing																												
Retain Marketing Firm																												
Submit Brand & Logo to PUC																												
Approval of Brand & Logo																												
Develop Web Site																												
Develop Marketing Materials																												
Outreach																												
Identify Existing Allies																												
Meetings with Cluster Organizations																												
Set Up and Hold Contractor Meetings																												
Work w/ Community Orgs for Pilot																												

Transition / Development Stage
Element Launched
Delivery Date ☆

11.0 PORTFOLIO MANAGEMENT

11.1 Overview

SAIC will serve as the overall program administrator for delivery of the Hawai`i Energy Efficiency Program portfolio. As such, we will design and deliver the full range of program elements, including all management and data tracking functions. Many of those systems and processes are still in development at the time of our submission of this Plan. SAIC will continue to work directly with the Contract Manager and the PUC throughout PY2009 to resolve outstanding issues and finalize processes.

11.2 Tracking and Reporting

Data Tracking
SAIC is building a comprehensive internal tracking and reporting system using Salesforce.com as its basis for the Business programs. This program will allow full management and tracking functions from program application through to program reporting and will be fully operational prior to July 1, 2009. The HECO Companies will provide a full set of data for the Business programs, including applications in progress prior to the final transfer date so that we can test the new system before launching programs. The final data transfer on July 1 will include all applicants in the system at the time of program transfer. Procedures tracked through this system will be consistent with those typical of incentive programs, including those currently operated by the HECO Companies.

SAIC is entering into a subcontract agreement with Honeywell whereby they will provide all data management and tracking of applications for the Residential sector for up to a year. During PY2009 SAIC will evaluate the cost-effectiveness of using the existing system as compared to operating the Residential programs through a Salesforce-based package. Data gathered will be consistent across platforms for later transfer and for uniform reporting to the PUC.

Program Reporting
SAIC will submit monthly, quarterly, and annual reports to the Commission as specified within our contract. The reports will contain information regarding expenditures, savings, incentives, progress on performance indicators, summary of activities, etc.

11.3 Program Adjustments

SAIC recognizes that any combination of changes in the economy, variations in the condition of local markets, advancements in technologies, and the influx of federal stimulus money may necessitate a change to our plans for program delivery services during PY2009. While this plan presents detailed information on approach, energy efficiency measures and proposed incentive levels, those details may all be adjusted mid-stream on a program-by-program basis as necessary to respond to changing conditions. Program adjustments will also be made based on feedback from the QA/QC plan, participants, sub-contractors and the program evaluator.

If SAIC determines that program changes are required, we will notify the Commission of needed updates in a timely manner and will provide the Commission ample opportunity to provide input.

11.4 Utility Coordination

SAIC will work with the HECO Companies to maximize the effectiveness of the programs; especially in areas where their relationship to the customer will encourage program participation (i.e., those large customers with an assigned account manager). HECO Companies' and SAIC staff are meeting on a regular basis throughout the transition period and will continue to exchange data as appropriate throughout the first program year and beyond.

11.5 Leveraging Other Efficiency Initiatives

Through the Hawai`i Clean Energy Initiative and through new avenues of funding to be made available within the State, SAIC will have the opportunity to maximize program impact by leveraging outside funds with those assigned to the HEEP portfolio of programs. We anticipate that program dollars may supplement and impact many public projects that will be funded through federal stimulus money. Projects will include both those administered through the State Energy Office and through the U.S. Governement Services Administration (GSA) for federal buildings eligible for energy improvements.

For the residential sector, the Weatherization Assistance Program is slated to receive a 2,000-percent increase in its typical funding levels for this year. SAIC is prepared to use HEEP dollars slated for WAP support in whatever way would best supplement local efforts. We are in discussions with the Office of Community Services to determine the best use of the Residential Low Income budget for PY2009. While this Plan includes a detailed explanation of our plans to serve Hawai`i's low-income population, we may adjust our program offerings as necessary to make the best use of this one-time infusion of funds.

For both the Business and Residential sectors, tax credits will encourage the implementation of many projects where the program incentive alone would not. SAIC will incorporate any tax benefits into program promotional literature and into energy studies where appropriate.

11.6 Evaluation Coordination

SAIC will work in cooperation with both the Contract Manager and the Evaluation Contractor to provide all of the information needed to evaluate programs and their delivery. It is our goal to provide the most cost-effective services possible and we will incorporate evaluation results into future program designs wherever possible.

In establishing our data tracking system, SAIC will seek comments from both of the above parties to ensure that we are collecting all of the data necessary for evaluation purposes. We have already begun that process with the Contract Manager and will continue to incorporate evaluation requirements into our program design and delivery mechanisms.

CA-AST-4
DOCKET NO. 2008-0083

ADDITIONAL SUPPLEMENTAL TESTIMONY AND EXHIBITS

OF

DAVID C. PARCELL

ON BEHALF OF
THE DIVISION OF CONSUMER ADVOCACY

SUBJECT: RATE OF RETURN

ADDITIONAL SUPPLEMENTAL TESTIMONY OF DAVID C. PARCELL

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is Suite 601, 1051 East Cary Street, Richmond, Virginia 23219.

Q. ARE YOU THE SAME DAVID C. PARCELL WHO FILED DIRECT TESTIMONY ON BEHALF OF THE CONSUMER ADVOCATE ON APRIL 17, 2009 AND SUPPLEMENTAL TESTIMONY ON JULY 20, 2009?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR ADDITIONAL SUPPLEMENTAL TESTIMONY?

A. The purpose of my additional supplemental testimony is to present an update to the exhibits submitted in my direct and supplemental testimonies. I have updated the exhibits for which more current data is available as of mid-October, 2009.

In addition to the updates of my exhibits, I have prepared a "modification" to my CA-408 to reflect the use of "spot" dividend yields, rather than 3-month average yields as shown in my direct testimony.

Q. PLEASE EXPLAIN WHY YOU HAVE UPDATED YOUR EXHIBITS.

A. I have updated my exhibits in order to provide the Commission with the most up-to-date information available as of this time. This is proper in order for the Commission to have the most current information available at the time of the hearing. I note that my July 2009 supplemental testimony previously provided updates (using data available as of early July) to my direct testimony. My current additional supplemental testimony further updates my analyses through mid-October.

In addition, HECO witness Morin has stated (HECO RT-19, at pp. 52 and 54-56) that I have used "stale" information in my cost of capital analyses. My updates should address this particular criticism.

I have provided a "modification" of my DCF analyses to also answer the criticism of HECO witness Morin that I have used "stale" information. He criticizes my DCF analyses (HECO RT-19, at pp. 52 and 54-56) for using 3-month average stock prices in the yield component. My CA-408-M2 uses "spot" stock prices as of October 19, 2009, which Dr. Morin suggests is proper. Even though I do not agree with his criticism, I have prepared CA-408-M2 to address his point.

Q. HOW ARE YOUR UPDATED AND MODIFIED EXHIBITS LABELED?

A. My updated exhibits contain the same exhibit numbers as my direct testimony, except they are labeled "update 2." My "modified" as updated, CA-408-M is labeled "modified 2."

Q. HAVE YOU PREPARED A NEW EXHIBIT TO SUMMARIZE THE IMPACTS OF THE UPDATES AND MODIFICATIONS ON YOUR ORIGINAL COST OF CAPITAL ANALYSES?

A. Yes, I have. This is labeled as CA-418. As this exhibit illustrates, the net effect of "update 2" and "modified 2" on my DCF analyses indicates a decline in my DCF cost rates, both in comparison to my direct testimony and in comparison to my supplemental testimony. The opposite is true for my updated CAPM analyses.

Q. WHAT IS THE IMPACT OF YOUR UPDATES AND MODIFICATIONS?

A. The overall impact is to leave my original cost of equity recommendation of 9.5 to 10.5 unchanged.

Q. DO YOU HAVE ANY ADDITIONAL OBSERVATIONS CONCERNING YOUR UPDATED FINANCIAL INFORMATION?

A. Yes, I do. My direct testimony cited the high levels of utility interest rates that were in effect as of March, 2009. My updates indicate that utility bond yields are now less than they were in mid-2008, prior to the financial crisis that occurred in late-2008 and early-2009.

Q. DOES THIS CONCLUDE YOUR ADDITIONAL SUPPLEMENTAL TESTIMONY?

A. Yes, it does.

ECONOMIC INDICATORS

YEAR	REAL GDP GROWTH	IND PROD GROWTH	UNEMP RATE	CPI	PPI
			1975 - 1982 Cycle		
1975	-1.1%	-8.9%	8.5%	7.0%	6.6%
1976	5.4%	10.8%	7.7%	4.8%	3.7%
1977	5.5%	5.9%	7.0%	6.8%	6.9%
1978	5.0%	5.7%	6.0%	9.0%	9.2%
1979	2.8%	4.4%	5.8%	13.3%	12.8%
1980	-0.2%	-1.9%	7.0%	12.4%	11.8%
1981	1.8%	1.9%	7.5%	8.9%	7.1%
1982	-2.1%	-4.4%	9.5%	3.8%	3.6%
			1983 - 1991 Cycle		
1983	4.0%	3.7%	9.5%	3.8%	0.6%
1984	6.8%	9.3%	7.5%	3.9%	1.7%
1985	3.7%	1.7%	7.2%	3.8%	1.8%
1986	3.1%	0.9%	7.0%	1.1%	-2.3%
1987	2.9%	4.9%	6.2%	4.4%	2.2%
1988	3.8%	4.5%	5.5%	4.4%	4.0%
1989	3.5%	1.8%	5.3%	4.6%	4.9%
1990	1.8%	-0.2%	5.6%	6.1%	5.7%
1991	-0.5%	-2.0%	6.8%	3.1%	-0.1%
			1992 - 2001 Cycle		
1992	3.0%	3.1%	7.5%	2.9%	1.6%
1993	2.7%	3.3%	6.9%	2.7%	0.2%
1994	4.0%	5.4%	6.1%	2.7%	1.7%
1995	2.5%	4.8%	5.6%	2.5%	2.3%
1996	3.7%	4.3%	5.4%	3.3%	2.8%
1997	4.5%	7.2%	4.9%	1.7%	-1.2%
1998	4.2%	6.1%	4.5%	1.6%	0.0%
1999	4.8%	4.3%	4.2%	2.7%	2.9%
2000	4.1%	4.2%	4.0%	3.4%	3.6%
2001	1.1%	-3.4%	4.7%	1.6%	-1.6%
			Current Cycle		
2002	1.8%	-0.1%	5.8%	2.4%	1.2%
2003	2.5%	1.3%	6.0%	1.9%	4.0%
2004	3.6%	2.5%	5.5%	3.3%	4.2%
2005	3.1%	3.3%	5.1%	3.4%	5.4%
2006	2.7%	2.3%	4.6%	2.5%	1.1%
2007	2.1%	1.5%	4.6%	4.1%	6.2%
2008	0.4%	-2.2%	5.8%	0.1%	-0.9%

Source: Council of Economic Advisors, Economic Indicators, various issues.

ECONOMIC INDICATORS

YEAR	REAL GDP GROWTH	IND PROD GROWTH	UNEMP RATE	CPI	PPI
2002					
1st Qtr.	2.7%	-3.8%	5.6%	2.8%	4.4%
2nd Qtr.	2.2%	-1.2%	5.9%	0.9%	-2.0%
3rd Qtr.	2.4%	0.8%	5.8%	2.4%	1.2%
4th Qtr.	0.2%	1.4%	5.9%	1.6%	0.4%
2003					
1st Qtr.	1.2%	1.1%	5.8%	4.8%	5.6%
2nd Qtr.	3.5%	-0.9%	6.2%	0.0%	-0.5%
3rd Qtr.	7.5%	-0.9%	6.1%	3.2%	3.2%
4th Qtr.	2.7%	1.5%	5.9%	-0.3%	2.8%
2004					
1st Qtr.	3.0%	2.8%	5.6%	5.2%	5.2%
2nd Qtr.	3.5%	4.9%	5.6%	4.4%	4.4%
3rd Qtr.	3.6%	4.6%	5.4%	0.8%	0.8%
4th Qtr.	2.5%	4.3%	5.4%	3.6%	7.2%
2005					
1st Qtr.	4.1%	3.8%	5.3%	4.4%	5.6%
2nd Qtr.	1.7%	3.0%	5.1%	1.6%	-0.4%
3rd Qtr.	3.1%	2.7%	5.0%	8.8%	14.0%
4th Qtr.	2.1%	2.9%	4.9%	-2.0%	4.0%
2006					
1st Qtr.	5.4%	3.4%	4.7%	4.8%	-0.2%
2nd Qtr.	1.4%	4.5%	4.6%	4.8%	5.6%
3rd Qtr.	0.1%	5.2%	4.7%	0.4%	-4.4%
4th Qtr.	3.0%	3.5%	4.5%	0.0%	3.6%
2007					
1st Qtr.	1.2%	2.5%	4.5%	4.8%	6.4%
2nd Qtr.	3.2%	1.6%	4.5%	5.2%	6.8%
3rd Qtr.	3.6%	1.8%	4.6%	1.2%	1.2%
4th Qtr.	2.1%	1.7%	4.8%	5.6%	12.8%
2008					
1st Qtr.	-0.7%	1.8%	4.9%	2.8%	9.6%
2nd Qtr.	1.5%	-0.4%	5.4%	7.6%	14.0%
3rd Qtr.	-2.7%	-3.2%	6.1%	2.8%	-0.4%
4th Qtr.	-5.4%	-6.7%	6.9%	-13.2%	-28.4%
2009					
1st Qtr.	-6.4%	-11.6%	8.1%	2.4%	-1.2%
2nd Qtr.	-0.7%	-13.0%	9.3%	3.2%	8.8%
3rd Qtr.			9.6%		

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

YEAR	PRIME RATE	US TREAS T BILLS 3 MONTH	US TREAS T BONDS 10 YEAR	UTILITY BONDS Aaa	UTILITY BONDS Aa	UTILITY BONDS A	UTILITY BONDS Baa
			1975 - 1982 Cycle				
1975	7.86%	5.84%	7.99%	9.03%	9.44%	10.09%	10.96%
1976	6.84%	4.99%	7.61%	8.63%	8.92%	9.29%	9.82%
1977	6.83%	5.27%	7.42%	8.19%	8.43%	8.61%	9.06%
1978	9.06%	7.22%	8.41%	8.87%	9.10%	9.29%	9.62%
1979	12.67%	10.04%	9.44%	9.86%	10.22%	10.49%	10.96%
1980	15.27%	11.51%	11.46%	12.30%	13.00%	13.34%	13.95%
1981	18.89%	14.03%	13.93%	14.64%	15.30%	15.95%	16.60%
1982	14.86%	10.69%	13.00%	14.22%	14.79%	15.86%	16.45%
			1983 - 1991 Cycle				
1983	10.79%	8.63%	11.10%	12.52%	12.83%	13.66%	14.20%
1984	12.04%	9.58%	12.44%	12.72%	13.66%	14.03%	14.53%
1985	9.93%	7.48%	10.62%	11.68%	12.06%	12.47%	12.96%
1986	8.33%	5.98%	7.68%	8.92%	9.30%	9.58%	10.00%
1987	8.21%	5.82%	8.39%	9.52%	9.77%	10.10%	10.53%
1988	9.32%	6.69%	8.85%	10.05%	10.26%	10.49%	11.00%
1989	10.87%	8.12%	8.49%	9.32%	9.56%	9.77%	9.97%
1990	10.01%	7.51%	8.55%	9.45%	9.65%	9.86%	10.06%
1991	8.46%	5.42%	7.86%	8.85%	9.09%	9.36%	9.55%
			1992 - 2001 Cycle				
1992	6.25%	3.45%	7.01%	8.19%	8.55%	8.69%	8.86%
1993	6.00%	3.02%	5.87%	7.29%	7.44%	7.59%	7.91%
1994	7.15%	4.29%	7.09%	8.07%	8.21%	8.31%	8.63%
1995	8.83%	5.51%	6.57%	7.68%	7.77%	7.89%	8.29%
1996	8.27%	5.02%	6.44%	7.48%	7.57%	7.75%	8.16%
1997	8.44%	5.07%	6.35%	7.43%	7.54%	7.60%	7.95%
1998	8.35%	4.81%	5.26%	6.77%	6.91%	7.04%	7.26%
1999	8.00%	4.66%	5.65%	7.21%	7.51%	7.62%	7.88%
2000	9.23%	5.85%	6.03%	7.88%	8.06%	8.24%	8.36%
2001	6.91%	3.45%	5.02%	7.47%	7.59%	7.78%	8.02%
			Current Cycle				
2002	4.67%	1.62%	4.61%		7.19%	7.37%	8.02%
2003	4.12%	1.02%	4.01%		6.40%	6.58%	6.84%
2004	4.34%	1.38%	4.27%		6.04%	6.16%	6.40%
2005	6.19%	3.16%	4.29%		5.44%	5.65%	5.93%
2006	7.96%	4.73%	4.80%		5.84%	6.07%	6.32%
2007	8.05%	4.41%	4.63%		5.94%	6.07%	6.33%
2008	5.09%	1.48%	3.66%		6.18%	6.53%	7.25%

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

INTEREST RATES

YEAR	PRIME RATE	US TREAS T BILLS 3 MONTH	US TREAS T BONDS 10 YEAR	UTILITY BONDS Aa	UTILITY BONDS A	UTILITY BONDS Baa
2003						
Jan	4.25%	1.17%	4.05%	6.87%	7.06%	7.47%
Feb	4.25%	1.16%	3.90%	6.66%	6.93%	7.17%
Mar	4.25%	1.13%	3.81%	6.56%	6.79%	7.05%
Apr	4.25%	1.14%	3.96%	6.47%	6.64%	6.94%
May	4.25%	1.08%	3.57%	6.20%	6.36%	6.47%
June	4.00%	0.95%	3.33%	6.12%	6.21%	6.30%
July	4.00%	0.90%	3.98%	6.37%	6.57%	6.67%
Aug	4.00%	0.96%	4.45%	6.48%	6.78%	7.08%
Sept	4.00%	0.95%	4.27%	6.30%	6.56%	6.87%
Oct	4.00%	0.93%	4.29%	6.28%	6.43%	6.79%
Nov	4.00%	0.94%	4.30%	6.26%	6.37%	6.69%
Dec	4.00%	0.90%	4.27%	6.18%	6.27%	6.61%
2004						
Jan	4.00%	0.89%	4.15%	6.06%	6.15%	6.47%
Feb	4.00%	0.92%	4.08%	6.10%	6.15%	6.28%
Mar	4.00%	0.94%	3.83%	5.93%	5.97%	6.12%
Apr	4.00%	0.94%	4.35%	6.33%	6.35%	6.46%
May	4.00%	1.04%	4.72%	6.66%	6.62%	6.75%
June	4.00%	1.27%	4.73%	6.30%	6.46%	6.84%
July	4.25%	1.35%	4.50%	6.09%	6.27%	6.67%
Aug	4.50%	1.48%	4.28%	5.95%	6.14%	6.45%
Sept	4.75%	1.65%	4.13%	5.79%	5.98%	6.27%
Oct	4.75%	1.76%	4.10%	5.74%	5.94%	6.17%
Nov	5.00%	2.06%	4.19%	5.79%	5.97%	6.16%
Dec	5.25%	2.20%	4.23%	5.78%	5.92%	6.10%
2005						
Jan	5.25%	2.32%	4.22%	5.68%	5.78%	5.95%
Feb	5.50%	2.53%	4.17%	5.55%	5.61%	5.76%
Mar	5.75%	2.75%	4.50%	5.76%	5.83%	6.01%
Apr	5.75%	2.79%	4.34%	5.56%	5.64%	5.95%
May	6.00%	2.86%	4.14%	5.39%	5.53%	5.88%
June	6.25%	2.99%	4.00%	5.06%	5.40%	5.70%
July	6.25%	3.22%	4.18%	5.18%	5.51%	5.81%
Aug	6.50%	3.45%	4.26%	5.23%	5.50%	5.80%
Sept	6.75%	3.47%	4.20%	5.27%	5.52%	5.83%
Oct	6.75%	3.70%	4.46%	5.50%	5.79%	6.08%
Nov	7.00%	3.90%	4.54%	5.59%	5.88%	6.19%
Dec	7.25%	3.89%	4.47%	5.55%	5.80%	6.14%
2006						
Jan	7.50%	4.20%	4.42%	5.50%	5.75%	6.06%
Feb	7.50%	4.41%	4.57%	5.55%	5.82%	6.11%
Mar	7.75%	4.51%	4.72%	5.71%	5.98%	6.26%
Apr	7.75%	4.59%	4.99%	6.02%	6.29%	6.54%
May	8.00%	4.72%	5.11%	6.16%	6.42%	6.59%
June	8.25%	4.79%	5.11%	6.16%	6.40%	6.61%
July	8.25%	4.96%	5.09%	6.13%	6.37%	6.61%
Aug	8.25%	4.98%	4.88%	5.97%	6.20%	6.43%
Sept	8.25%	4.82%	4.72%	5.81%	6.00%	6.26%
Oct	8.25%	4.89%	4.73%	5.80%	5.98%	6.24%
Nov	8.25%	4.95%	4.60%	5.61%	5.80%	6.04%
Dec	8.25%	4.85%	4.56%	5.62%	5.81%	6.05%
2007						
Jan	8.25%	4.96%	4.76%	5.78%	5.96%	6.16%
Feb	8.25%	5.02%	4.72%	5.73%	5.90%	6.10%
Mar	8.25%	4.97%	4.56%	5.66%	5.85%	6.10%
Apr	8.25%	4.88%	4.69%	5.83%	5.97%	6.24%
May	8.25%	4.77%	4.75%	5.86%	5.99%	6.23%
June	8.25%	4.63%	5.10%	6.18%	6.30%	6.54%
July	6.25%	4.84%	5.00%	6.11%	6.25%	6.49%
Aug	8.25%	4.34%	4.67%	6.11%	6.24%	6.51%
Sept	7.75%	4.01%	4.52%	6.10%	6.18%	6.45%
Oct	7.50%	3.97%	4.53%	6.04%	6.11%	6.36%
Nov	7.50%	3.49%	4.15%	5.87%	5.97%	6.27%
Dec	7.25%	3.08%	4.10%	6.03%	6.16%	6.51%
2008						
Jan	6.00%	2.86%	3.74%	5.87%	6.02%	6.35%
Feb	6.00%	2.21%	3.74%	6.04%	6.21%	6.60%
Mar	5.25%	1.38%	3.51%	5.99%	6.21%	6.68%
Apr	5.00%	1.32%	3.68%	5.99%	6.29%	6.82%
May	5.00%	1.71%	3.88%	6.07%	6.27%	6.79%
June	5.00%	1.90%	4.10%	6.19%	6.38%	6.93%
July	5.00%	1.72%	4.01%	6.13%	6.40%	6.97%
Aug	5.00%	1.79%	3.89%	6.09%	6.37%	6.98%
Sept	5.00%	1.46%	3.69%	6.13%	6.49%	7.15%
Oct	4.00%	0.84%	3.81%	6.95%	7.56%	8.58%
Nov	4.00%	0.30%	3.53%	6.83%	7.60%	8.98%
Dec	3.25%	0.04%	2.42%	5.93%	6.54%	8.13%
2009						
Jan	3.25%	0.12%	2.52%	6.01%	6.39%	7.90%
Feb	3.25%	0.31%	2.87%	6.11%	6.30%	7.74%
Mar	3.25%	0.25%	2.82%	6.14%	6.42%	8.00%
Apr	3.25%	0.17%	2.93%	6.20%	6.48%	8.03%
May	3.25%	0.15%	3.29%	6.23%	6.49%	7.76%
June	3.25%	0.17%	3.72%	6.13%	6.20%	7.30%
July	3.25%	0.19%	3.56%	5.63%	5.97%	6.87%
Aug	3.25%	0.18%	3.59%	5.33%	5.71%	6.36%
Sept	3.25%	0.13%	3.40%	5.15%	5.53%	6.12%

Sources: Council of Economic Advisors Economic Indicators Moody's Bond Record Federal Reserve Bulletin, various issues

STOCK PRICE INDICATORS

YEAR	S&P Composite	Nasdaq Composite	DJIA	S&P D/P	S&P E/P
		1975 - 1982 Cycle			
1975			802.49	4.31%	9.15%
1976			974.92	3.77%	8.90%
1977			894.63	4.62%	10.79%
1978			820.23	5.28%	12.03%
1979			844.40	5.47%	13.46%
1980			891.41	5.26%	12.66%
1981			932.92	5.20%	11.96%
1982			884.36	5.81%	11.60%
		1983 - 1991 Cycle			
1983			1,190.34	4.40%	8.03%
1984			1,178.48	4.64%	10.02%
1985			1,328.23	4.25%	8.12%
1986			1,792.76	3.49%	6.09%
1987			2,275.99	3.08%	5.48%
1988			2,060.82	3.64%	8.01%
1989	322.84		2,508.91	3.45%	7.41%
1990	334.59		2,678.94	3.61%	6.47%
1991	376.18	491.69	2,929.33	3.24%	4.79%
		1992 - 2001 Cycle			
1992	415.74	599.26	3,284.29	2.99%	4.22%
1993	451.21	715.16	3,522.06	2.78%	4.46%
1994	460.42	751.65	3,793.77	2.82%	5.83%
1995	541.72	925.19	4,493.76	2.56%	6.09%
1996	670.50	1,164.96	5,742.89	2.19%	5.24%
1997	873.43	1,469.49	7,441.15	1.77%	4.57%
1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
2000	1,427.22	3,783.67	10,734.90	1.15%	3.63%
2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
		Current Cycle			
2002	993.94	1,539.73	9,226.43	1.61%	2.92%
2003	965.23	1,647.17	8,993.59	1.77%	3.84%
2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
2005	1,207.23	2,099.32	10,547.67	1.83%	5.36%
2006	1,310.46	2,263.41	11,408.67	1.87%	5.78%
2007	1,477.19	2,578.47	13,169.98	1.86%	5.29%
2008	1,220.04	2,161.65	11,252.62	2.37%	3.54%

Source: Council of Economic Advisors, Economic Indicators, various issues.

STOCK PRICE INDICATORS

YEAR	S&P Composite	Nasdaq Composite	DJIA	S&P D/P	S&P E/P
2002					
1st Qtr.	1,131.56	1,879.85	10,105.27	1.39%	2.15%
2nd Qtr.	1,068.45	1,641.53	9,912.70	1.49%	2.70%
3rd Qtr.	894.65	1,308.17	8,487.59	1.76%	3.68%
4th Qtr.	887.91	1,346.07	8,400.17	1.79%	3.14%
2003					
1st Qtr.	860.03	1,350.44	8,122.83	1.89%	3.57%
2nd Qtr.	938.00	1,521.92	8,684.52	1.75%	3.55%
3rd Qtr.	1,000.50	1,765.96	9,310.57	1.74%	3.87%
4th Qtr.	1,056.42	1,934.71	9,856.44	1.69%	4.38%
2004					
1st Qtr.	1,133.29	2,041.95	10,488.43	1.64%	4.62%
2nd Qtr.	1,122.87	1,984.13	10,289.04	1.71%	4.92%
3rd Qtr.	1,104.15	1,872.90	10,129.85	1.79%	5.18%
4th Qtr.	1,162.07	2,050.22	10,362.25	1.75%	4.83%
2005					
1st Qtr.	1,191.98	2,056.01	10,648.48	1.77%	5.11%
2nd Qtr.	1,181.65	2,012.24	10,382.35	1.85%	5.32%
3rd Qtr.	1,225.91	2,144.61	10,532.24	1.83%	5.42%
4th Qtr.	1,262.07	2,246.09	10,827.79	1.86%	5.60%
2006					
1st Qtr.	1,283.04	2,287.97	10,996.04	1.85%	5.61%
2nd Qtr.	1,281.77	2,240.46	11,188.84	1.90%	5.86%
3rd Qtr.	1,288.40	2,141.97	11,274.49	1.91%	5.88%
4th Qtr.	1,389.48	2,390.26	12,175.30	1.81%	5.75%
2007					
1st Qtr.	1,425.30	2,444.85	12,470.97	1.84%	5.85%
2nd Qtr.	1,496.43	2,552.37	13,214.26	1.82%	5.65%
3rd Qtr.	1,490.81	2,609.68	13,488.43	1.86%	5.15%
4th Qtr.	1,494.09	2,701.59	13,502.95	1.91%	4.51%
2008					
1st Qtr.	1,350.19	2,332.92	12,383.86	2.11%	4.57%
2nd Qtr.	1,371.65	2,426.26	12,508.59	2.10%	4.01%
3rd Qtr.	1,251.94	2,290.87	11,322.40	2.29%	3.94%
4th Qtr.	909.80	1,599.64	8,795.61	2.98%	1.65%
2009					
1st Qtr.	809.31	1,485.14	7,774.06	3.00%	0.86%
2nd Qtr.	892.23	1,731.41	8,327.83	2.45%	0.82%
3rd Qtr.	996.70	996.70	9,229.93	2.16%	

Source: Council of Economic Advisors, Economic Indicators, various issues.

COMPARISON COMPANIES
BASIS FOR SELECTION
USING COMMISSION CRITERIA

Company	Market Cap (000)	Percent Revenues Electric	Common Equity Ratio	Value Line Safety	Moody's/ Bond Rating
Hawaiian Electric Industries	$1,600,000	98%	46%	3	Baa2
Comparison Group*					
Empire District Electric	$625,000	86%	43%	3	Baa1
IDACORP	$1,300,000	100%	48%	3	A3
NV Energy	$2,700,000	94%	36%	3	Ba3
Northeast Utilities	$4,100,000	81%	41%	3	A3
NSTAR	$3,400,000	80%	38%	1	A1
Pinnacle West Capital	$3,300,000	97%	45%	3	A1
Pepco Holdings, Inc.	$3,100,000	50%	43%	3	A3
Portland General	$1,400,000	98%	49%	2	Baa1
SCANA Corp	$4,100,000	46%	41%	2	A2
UIL Holdings	$775,000	100%	45%	2	Baa2
Westar Energy	$2,300,000	71%	44%	2	Baa2

* Selected using following criteria:
Market cap of $500 million to $5 billion.
Electric Revenues of 40% or greater.
Common Equity Ratio of 35% to 55%.
Value Line Safety of 1, 2 or 3.
Moody's bond ratings of Baa or A

Sources: C.A. Turner Utility Reports, Standard & Poor's Stock Guide, Value Line Investment Survey.

COMPARISON COMPANIES
BASIS FOR SELECTION
USING PARCELL CRITERIA

Company	Net Utility Plant (000)	Percent Revenues Electric	Common Equity Ratio	Standard & Poor's Stock Ranking	Moody's/ Bond Rating
Hawaiian Electric Industries	$1,600,000	98%	46%	3	Baa2
Comparison Group*					
Avista	$1,000,000	53%	54%	3	Baa1
Cleco Corp.	$1,500,000	96%	46%	3	Baa1
Empire District Electric	$625,000	86%	43%	3	Baa1
IDACORP	$1,300,000	78%	48%	3	A3
NSTAR	$3,400,000	80%	38%	1	A1
Portland General	$1,400,000	98%	49%	2	Baa1
Westar Energy, Inc.	$2,300,000	71%	44%	2	Baa2

* Selected using following criteria:
Net Utility Plant of $1 billion to $5 billion.
Electric Revenues of 50% or greater.
Common Equity Ratio of 40% to 55%.
Standard & Poor's Stock Ranking of B or B+.or A-
Moody's bond ratings of BBB or A.
No nuclear generation.

Sources: C.A. Turner Utility Reports, Standard & Poor's Stock Guide, Value Line Investment Survey.

COMPARISON COMPANIES
DIVIDEND YIELD

COMPANY	DPS	July - September, 2009 HIGH	LOW	AVERAGE	YIELD
Comparison Group - PUC Criteria					
Empire District Electric	$1 28	$19 00	$16 44	$17.72	7 2%
Hawaiian Electric Industries	$1 24	$19 45	$16 50	$17 98	6 9%
IDACORP	$1 20	$29 56	$24 68	$27.12	4 4%
NV Energy	$0 40	$12.51	$10 52	$11 52	3 5%
Northeast Utilities	$0 95	$24.78	$21.11	$22.95	4 1%
NSTAR	$1.50	$32.91	$30.10	$31 51	4 8%
Pinnacle West Capital	$2.10	$33.71	$28.87	$31 29	6 7%
Pepco Holdings, Inc	$1.08	$15 37	$12 85	$14 11	7.7%
Portland General	$1.02	$20 95	$17.69	$19 32	5 3%
SCANA Corp	$1.88	$36 39	$31.68	$34 04	5 5%
UIL Holdings	$1 73	$27 48	$21 72	$24 60	7.0%
Westar Energy	$1.20	$21.56	$17.91	$19 74	6 1%
Average					**5.8%**
Comparison Group - Parcell Criteria					
Avista	$0 84	$20 83	$17 59	$19 21	4 4%
Cleco Corp	$0 90	$25.43	$21.47	$23.45	3 8%
Empire District Electric	$1.28	$19 00	$16 44	$17.72	7.2%
Hawaiian Electric Industries	$1 24	$19 45	$16 50	$17.98	6 9%
IDACORP	$1.20	$29 56	$24 68	$27.12	4 4%
NSTAR	$1.50	$32 91	$30 10	$31 51	4 8%
Portland General	$1 02	$20 95	$17 69	$19 32	5 3%
Westar Energy, Inc	$1 20	$21 56	$17 91	$19 74	6 1%
Average					**5.4%**
S&P Integrated Electric Utilities					
ALLETE	$1.76	$34 57	$27.75	$31.16	5 6%
Alliant Energy	$1.50	$28 78	$24.73	$26.76	5 6%
Ameren Corp	$1 54	$27 68	$23 09	$25 38	6 1%
American Electric Power	$1.64	$32 36	$28 07	$30 22	5 4%
Cleco	$0 90	$25 43	$21 47	$23 45	3 8%
CMS Energy	$0 50	$13 73	$11.58	$12 66	4 0%
DPL	$1 14	$26 62	$22 48	$24 55	4 6%
DTE Energy	$2 12	$36 46	$30 59	$33 53	6 3%
Edison International	$1 24	$35 20	$29 71	$32 46	3 8%
Empire District Electric	$1 28	$19 00	$16 44	$17 72	7 2%
Entergy	$3 00	$82 39	$71 76	$77 08	3 9%
FPL Group	$1 89	$60 61	$53 13	$56 87	3 3%
Hawaiian Electric Industries	$1 24	$19 45	$16.50	$17 98	6 9%
IDACORP	$1.20	$29.56	$24 68	$27.12	4 4%
MGE Energy	$1.47	$38.23	$33.40	$35.82	4.1%
Northeast Utilities	$0 95	$24 78	$21 11	$22.95	4.1%
PG&E	$1.68	$41.97	$36 59	$39.28	4 3%
Pinnacle West Capital	$2.10	$33 71	$28 87	$31 29	6 7%
PNM Resources	$0 50	$12.92	$10 36	$11 64	4 3%
Portland General	$1 02	$20 95	$17 69	$19 32	5 3%
Progress Energy	$2 48	$40 05	$35 97	$38 01	6 5%
Southern Company	$1.75	$32 67	$30 27	$31.47	5 6%
TECO Energy	$0 80	$14 64	$11.16	$12 90	6.2%
Unisource Energy	$1 16	$31 11	$25 96	$28 54	4 1%
Westar Energy	$1 20	$21 56	$17.91	$19 74	6 1%
Wisconsin Energy	$1 35	$46 50	$40 25	$43 38	3 1%
Xcel Energy Inc	$0 98	$20.29	$17 44	$18 87	5 2%
Average					**5.0%**
Moody's Electric Utilities					
American Electric Power	$1 64	$32 36	$28 07	$30 22	5 4%
CH Energy	$2.16	$51.32	$43 67	$47 50	4 5%
Consolidated Edison	$2.36	$41.77	$36 46	$39 12	6 0%
Constellation Energy	$0 96	$33 37	$25 76	$29 57	3 2%
Dominion Resources	$1.75	$34 84	$32 10	$33 47	5 2%
DPL Inc	$1 14	$26 62	$22 48	$24 55	4 6%
DTE Energy	$2 12	$36 46	$30 59	$33.53	6.3%
Duke Energy	$0.96	$16 02	$14.10	$15 06	6 4%
Exelon Corp	$2 10	$54 47	$47.30	$50.89	4.1%
Firstenergy	$2.20	$47 82	$36.73	$42.28	5 2%
IDACORP	$1 20	$29.56	$24.68	$27.12	4 4%
NiSource	$0 92	$14 03	$11 41	$12.72	7 2%
OGE Energy	$1 42	$33.72	$26.50	$30 11	4 7%
PPL Corp	$1.38	$34 21	$28.27	$31.24	4 4%
Progress Energy	$2 48	$40 05	$35.97	$38 01	6 5%
Public Service Enterprise	$1.33	$34 02	$30.38	$32.20	4 1%
Southern Co	$1.75	$32.67	$30.27	$31.47	5 6%
TECO Energy	$0.80	$14 64	$11 16	$12 90	6 2%
Xcel Energy Inc	$0 98	$20 29	$17 44	$18 87	5 2%
Average					**5.2%**

Source Yahoo! Finance

COMPARISON COMPANIES
RETENTION GROWTH RATES

COMPANY	2004	2005	2006	2007	2008	Average	2009	2010	2012-2014	Average
Comparison Group - PUC Criteria										
Empire District Electric	0.0%	0.0%	0.8%	0.0%	0.0%	0.2%	1.0%	1.5%	3.0%	1.8%
Hawaiian Electric Industries	1.1%	1.5%	0.7%	0.8%	0.5%	0.9%	0.0%	1.5%	2.5%	1.3%
IDACORP	2.7%	1.3%	4.3%	2.4%	3.4%	2.8%	4.0%	4.0%	3.5%	3.8%
NV Energy	4.8%	4.0%	9.0%	5.4%	4.1%	5.5%	2.0%	4.0%	4.0%	3.3%
Northeast Utilities	1.6%	1.5%	0.3%	4.3%	5.3%	2.6%	4.5%	4.5%	4.0%	4.3%
NSTAR	4.8%	4.6%	4.9%	4.9%	4.9%	4.8%	5.0%	5.0%	6.0%	5.3%
Pinnacle West Capital	2.3%	1.0%	3.4%	2.5%	0.3%	1.9%	0.5%	2.0%	3.0%	1.8%
Pepco Holdings, Inc.	2.5%	2.4%	1.5%	2.3%	4.2%	2.6%	0.5%	2.5%	3.0%	2.0%
Portland General	7.2%	5.3%	3.5%	6.6%	2.0%	4.9%	2.0%	3.5%	3.5%	3.0%
SCANA Corp	5.6%	5.3%	3.8%	4.0%	4.4%	4.6%	3.5%	3.5%	4.0%	3.7%
UIL Holdings	0.0%	0.0%	0.0%	3.1%	1.0%	0.8%	1.0%	1.5%	2.5%	1.7%
Westar Energy	3.2%	4.3%	5.5%	4.3%	1.2%	3.7%	2.5%	3.0%	3.0%	2.8%
Average						**2.9%**				**2.9%**
Comparison Group - Parcell Criteria										
Avista	1.4%	2.4%	4.9%	0.8%	3.7%	2.6%	4.0%	3.5%	2.5%	3.3%
Cleco Corp.	3.9%	4.1%	3.0%	2.6%	4.5%	3.6%	4.5%	4.5%	4.0%	4.3%
Empire District Electric	0.0%	0.0%	0.8%	0.0%	0.0%	0.2%	1.0%	1.5%	3.0%	1.8%
Hawaiian Electric Industries	1.1%	1.5%	0.7%	0.8%	0.5%	0.9%	0.0%	1.5%	2.5%	1.3%
IDACORP	2.7%	1.3%	4.3%	2.4%	3.4%	2.8%	4.0%	4.0%	3.5%	3.8%
NSTAR	4.8%	4.6%	4.9%	4.9%	4.9%	4.8%	5.0%	5.0%	6.0%	5.3%
Portland General	7.2%	5.3%	3.5%	6.6%	2.0%	4.9%	2.0%	3.5%	3.5%	3.0%
Westar Energy	3.2%	4.3%	5.5%	4.3%	1.2%	3.7%	2.5%	3.0%	3.0%	2.8%
Average						**3.0%**				**3.2%**

S&P Integrated
Electric Utilities

COMPARISON COMPANIES
PER SHARE GROWTH RATES

COMPANY	5-Year Historic Growth Rates EPS	DPS	BVPS	Average	Est'd '06-'08 to '12-'14 Growth Rates EPS	DPS	BVPS	Average
Comparison Group - PUC Criteria								
Empire District Electric	3.5%	0.0%	1.5%	1.7%	6.0%	1.5%	2.0%	3.2%
Hawaiian Electric Industries	-6.0%	0.0%	1.0%	-1.7%	7.0%	0.0%	2.0%	3.0%
IDACORP	1.5%	-8.0%	3.0%	-1.2%	4.5%	2.5%	5.0%	4.0%
NV Energy		-3.5%	-2.0%	-2.8%	4.5%		3.5%	4.0%
Northeast Utilities	3.0%	8.5%	2.0%	4.5%	8.0%	6.5%	5.0%	6.5%
NSTAR	4.0%	6.0%	5.0%	5.0%	8.0%	5.5%	5.5%	6.3%
Pinnacle West Capital	-1.0%	5.0%	3.0%	2.3%	3.0%	1.0%	1.0%	1.7%
Pepco Holdings, Inc	-2.0%	17.5%	1.5%	5.7%	2.0%		2.0%	2.0%
Portland General					3.5%	5.5%	2.5%	3.8%
SCANA Corp	3.5%	6.5%	4.0%	4.7%	4.0%	3.0%	5.0%	4.0%
UIL Holdings			-2.0%	-2.0%	3.0%	0.0%	2.5%	1.8%
Westar Energy	21.5%	-0.5%	1.0%	7.3%	4.5%	4.5%	6.0%	5.0%
Average				2.1%				3.8%
Comparison Group - Parcell Criteria								
Avista	4.0%	5.0%	3.0%	4.0%	6.5%	11.5%	3.0%	7.0%
Cleco Corp	0.5%	0.5%	9.0%	3.3%	9.5%	10.0%	4.5%	8.0%
Empire District Electric	3.5%	0.0%	1.5%	1.7%	6.0%	1.5%	2.0%	3.2%
Hawaiian Electric Industries	-6.0%	0.0%	1.0%	-1.7%	7.0%	0.0%	2.0%	3.0%
IDACORP	1.5%	-8.0%	3.0%	-1.2%	4.5%	2.5%	5.0%	4.0%
NSTAR	4.0%	6.0%	5.0%	5.0%	8.0%	5.5%	5.5%	6.3%
Portland General					3.5%	5.5%	2.5%	3.8%
Westar Energy, Inc.	21.5%	-0.5%	1.0%	7.3%	4.5%	4.5%	6.0%	5.0%
Average				2.8%				6.0%
S&P Integrated Electric Utilities								
ALLETE					-1.0%	3.0%	3.0%	1.7%
Alliant Energy	7.0%	-5.0%	3.0%	1.7%	4.5%	7.0%	4.0%	5.2%
Ameren Corp	-1.5%	0.0%	5.0%	1.2%	1.0%	-6.5%	2.5%	-1.0%
American Electric Power		-6.0%	2.5%	-1.8%	3.0%	3.0%	5.0%	3.7%
Cleco Corp	0.5%	0.5%	9.0%	3.3%	9.5%	10.0%	4.5%	8.0%
CMS Energy		-26.0%	-1.0%	-13.5%	10.0%	27.5%	6.0%	14.5%
DPL	7.0%	2.0%	2.5%	3.8%	8.5%	3.5%	5.0%	5.7%
DTE Energy	-2.0%	0.5%	4.0%	0.8%	7.5%	3.0%	2.5%	4.3%
Edison International	13.5%		14.5%	14.0%	3.5%	4.0%	6.5%	4.7%
Empire District Electric	3.5%	0.0%	1.5%	1.7%	6.0%	1.5%	2.0%	3.2%
Entergy	10.5%	13.0%	3.0%	8.8%	6.0%	5.5%	6.5%	6.0%
FPL Group	9.5%	7.0%	8.0%	8.2%	9.5%	6.0%	8.5%	8.0%
Hawaiian Electric Industries	-6.0%	0.0%	1.0%	-1.7%	7.0%	0.0%	2.0%	3.0%
IDACORP	1.5%	-8.0%	3.0%	-1.2%	4.5%	2.5%	5.0%	4.0%
MGE Energy	6.0%	1.0%	8.0%	5.0%	6.0%	0.5%	7.0%	4.5%
Northeast Utilities	3.0%	8.5%	2.0%	4.5%	8.0%	6.5%	5.0%	6.5%
PG&E			18.0%	18.0%	6.5%	7.5%	7.0%	7.0%
Pinnacle West Capital	-1.0%	5.0%	3.0%	2.3%	3.0%	1.0%	1.0%	1.7%
PNM Resources	-11.5%	6.5%	4.0%	-0.3%	7.5%	nmf	1.0%	4.3%
Portland General					3.5%	5.5%	2.5%	3.8%
Progress Energy	-6.5%	2.0%	2.5%	-0.7%	6.0%	1.0%	2.0%	3.0%
Southern Company	4.0%	3.0%	5.5%	4.2%	4.5%	4.0%	5.0%	4.5%
TECO Energy	-5.0%	-9.0%	-6.5%	-6.8%	4.5%	2.5%	4.5%	3.8%
Unisource Eneregy	-1.5%	12.5%	6.5%	5.8%	17.5%	10.0%	7.0%	11.5%
Westar Energy	21.5%	-0.5%	1.0%	7.3%	4.5%	4.5%	6.0%	5.0%
Wisconsin Energy	6.0%	4.5%	7.5%	6.0%	8.0%	13.5%	6.0%	9.2%
Xcel Energy Inc	1.0%	-4.0%	1.0%	-0.7%	6.5%	3.0%	4.5%	4.7%
Average				2.8%				5.2%
Moody's Electric Utilities								
American Electric Power		-6.0%	2.5%	-1.8%	3.0%	3.0%	5.0%	3.7%
CH Energy	-1.5%	0.0%	1.5%	0.0%	3.0%	0.0%	1.5%	1.5%
Consolidated Edison	1.5%	1.0%	3.5%	2.0%	3.0%	1.0%	3.5%	2.5%
Constellation Energy	3.5%	16.0%		9.8%	2.5%	-6.0%	0.0%	-1.2%
Dominion Resources	5.5%	2.5%	1.5%	3.2%	8.0%	7.0%	8.0%	7.7%
DPL Inc	7.0%	2.0%	2.5%	3.8%	8.5%	3.5%	5.0%	5.7%
DTE Energy	-2.0%	0.5%	4.0%	0.8%	7.5%	3.0%	2.5%	4.3%
Duke Energy					5.0%		-0.5%	2.3%
Exelon Corp	10.5%	15.0%	4.5%	10.0%	6.0%	4.5%	10.5%	7.0%
Firstenergy	12.5%	6.5%	3.0%	7.3%	4.0%	4.5%	4.5%	4.3%
IDACORP	1.5%	-8.0%	3.0%	-1.2%	4.5%	2.5%	5.0%	4.0%
NiSource	-5.0%	-4.0%	1.5%	-2.5%	3.0%	0.0%	0.5%	1.2%
OGE Energy	11.0%	0.5%	7.0%	6.2%	4.5%	3.0%	7.0%	4.8%
PPL Corp	7.5%	12.5%	13.5%	11.2%	7.5%	7.5%	6.0%	7.0%
Progress Energy	-6.5%	2.0%	2.5%	-0.7%	6.0%	1.0%	2.0%	3.0%
Public Service Enterprise	5.5%	2.0%	7.0%	4.8%	7.5%	6.0%	9.0%	7.5%
Southern Co	4.0%	3.0%	5.5%	4.2%	4.5%	4.0%	5.0%	4.5%
TECO Energy	-5.0%	-9.0%	-6.5%	-6.8%	4.5%	2.5%	4.5%	3.8%
Xcel Energy Inc	1.0%	-4.0%	1.0%	-0.7%	6.5%	3.0%	4.5%	4.7%
Average				2.8%				4.1%

Source: Value Line Investment Survey

COMPARISON COMPANIES
DCF COST RATES

COMPANY	ADJUSTED YIELD	HISTORIC RETENTION GROWTH	PROSPECTIVE RETENTION GROWTH	HISTORIC PER SHARE GROWTH	PROSPECTIVE PER SHARE GROWTH	FIRST CALL EPS GROWTH	AVERAGE GROWTH	DCF RATES
Comparison Group - PUC Criteria								
Empire District Electric	7.3%	0.3%	1.8%	1.7%	3.2%	4.0%	2.0%	9.3%
Hawaiian Electric Industries	7.0%	0.0%	1.3%		3.0%	3.0%	2.1%	9.0%
IDACORP	4.5%	2.8%	3.8%		4.0%	5.0%	3.9%	8.4%
NV Energy	3.6%	5.5%	3.3%		4.0%	10.0%	5.7%	9.3%
Northeast Utilities	4.3%	2.8%	4.3%	4.5%	6.5%	8.3%	5.3%	9.5%
NSTAR	4.8%	4.8%	6.3%	5.0%	6.3%	6.8%	5.4%	10.3%
Pinnacle West Capital	6.8%	1.8%	1.8%	2.3%	1.7%	5.8%	2.6%	9.4%
Pepco Holdings Inc	7.8%	2.8%	2.0%	5.7%	2.0%	5.8%	3.9%	11.3%
Portland General	5.4%	4.8%	3.8%		3.8%	7.4%	4.8%	10.3%
SCANA Corp	5.8%	4.8%	3.7%	4.7%	4.0%	4.5%	4.3%	9.8%
UIL Holdings	7.1%	0.0%	1.7%		1.8%	4.4%	2.3%	9.5%
Westar Energy	6.3%	3.7%	2.0%	7.3%	5.8%	3.3%	4.4%	10.7%
Mean	5.8%	2.8%	2.9%	4.5%	3.8%	5.7%	3.9%	9.8%
Median	5.8%	2.7%	2.9%	4.7%	3.8%	5.5%	4.1%	9.7%
Mean Composite		8.8%	8.8%	10.3%	9.7%	11.0%	9.8%	
Median Composite		8.6%	8.8%	10.6%	9.8%	11.4%	10.0%	
Comparison Group - Parcell Criteria								
Avista	4.5%	2.8%	3.3%	4.0%	7.0%	6.7%	5.1%	9.8%
Cleco Corp	4.6%	3.8%	4.3%	3.3%	8.0%	12.5%	6.4%	10.3%
Empire District Electric	7.3%	0.3%	1.8%	1.7%	3.2%	4.0%	2.0%	9.9%
Hawaiian Electric Industries	7.0%	0.0%	1.3%		3.0%	3.0%	2.1%	9.0%
IDACORP	4.5%	2.8%	3.8%		4.0%	5.0%	3.9%	8.4%
NSTAR	4.8%	4.8%	5.3%	5.0%	6.3%	6.5%	5.4%	10.3%
Portland General	5.4%	4.8%	3.8%		3.8%	7.4%	4.8%	10.3%
Westar Energy Inc	6.2%	3.7%	2.8%	7.3%	5.8%	3.3%	4.4%	10.7%
Mean	5.5%	3.0%	3.2%	4.3%	5.0%	6.4%	4.3%	9.8%
Median	5.1%	3.3%	3.3%	4.0%	4.3%	5.8%	4.6%	10.0%
Mean Composite		8.4%	8.7%	9.7%	10.5%	11.0%	9.9%	
Median Composite		8.4%	8.8%	9.1%	9.8%	10.6%	9.8%	
S&P Integrated Electric Utilities								
ALLETE	5.7%	4.0%	1.5%		1.7%	6.0%	3.5%	9.3%
Alliant Energy	5.7%	5.1%	2.3%	1.7%	5.7%	4.4%	3.7%	9.4%
Ameren Corp	6.1%	1.0%	3.3%	1.2%		3.0%	2.1%	8.3%
American Electric Power	5.5%	5.4%	4.7%		3.7%	3.8%	4.4%	9.9%
Cleco	4.0%	3.8%	4.3%	3.3%	8.0%	12.5%	6.4%	10.9%
CMS Energy	4.1%	7.2%	6.2%		14.5%	6.3%	8.3%	12.7%
DPL	4.8%	7.3%	12.9%	3.8%	5.7%	10.0%	7.8%	12.7%
DTE Energy	6.4%	1.9%	3.0%	0.8%	4.3%	1.5%	2.3%	8.7%
Edison International	4.0%	8.0%	6.3%	14.0%	4.7%	3.0%	7.2%	11.2%
Empire District Electric	7.3%	0.2%	1.8%	1.7%	3.2%	4.0%	2.0%	9.3%
Entergy	4.0%	7.3%	8.3%	6.8%	6.0%	8.8%	7.0%	11.8%
FPL Group	3.5%	6.1%	7.8%	6.3%	6.0%	8.7%	7.0%	11.3%
Hawaiian Electric Industries	7.0%	0.0%	1.3%		3.0%	3.0%	2.1%	9.0%
IDACORP	4.5%	2.8%	3.8%		4.0%	5.0%	3.8%	8.4%
MGE Energy	4.3%	5.3%	3.8%	5.0%	4.5%	5.8%	4.5%	8.7%
Northeast Utilities	4.3%	2.8%	4.3%	4.8%	6.5%	8.5%	5.3%	9.5%
PG&E	4.5%	7.5%	5.7%	18.0%	7.0%	6.8%	9.0%	13.4%
Pinnacle West Capital	6.8%	1.8%	1.8%	2.3%	1.7%	5.5%	2.8%	9.4%
PNM Resources	4.4%	2.9%	2.0%		4.3%		2.8%	7.3%
Portland General	5.4%	4.9%	3.8%		3.8%	7.4%	4.8%	10.2%
Progress Energy	6.8%	1.1%	2.5%		3.8%	4.4%	2.8%	9.4%
Southern Company	5.7%	4.2%	3.5%	4.7%	4.5%	5.0%	4.3%	9.8%
TECO Energy	6.3%	2.7%	3.5%		3.8%	8.4%	4.6%	11.0%
Unisource Energy	4.2%	3.5%	6.3%	5.8%	11.3%	5.0%	6.4%	10.8%
Westar Energy	6.2%	3.7%	2.8%	7.3%	5.0%	3.3%	4.4%	10.7%
Wisconsin Energy	3.2%	6.7%	6.7%	6.0%	8.2%	8.0%	7.5%	10.7%
Xcel Energy Inc	5.3%	3.9%	4.0%		4.7%	6.0%	4.8%	10.1%
Mean	5.2%	4.1%	4.4%	5.7%	5.4%	6.1%	5.0%	10.1%
Median	5.3%	3.6%	3.8%	4.5%	4.8%	5.8%	4.5%	9.8%
Composite Mean		9.3%	9.6%	10.8%	10.6%	11.2%	10.1%	
Composite Median		9.0%	9.2%	9.8%	9.5%	11.1%	9.8%	
Moody's Electric Utilities								
American Electric Power	5.5%	5.4%	4.7%		3.7%	3.8%	4.4%	9.9%
CH Energy	6.8%	1.4%	1.2%		1.5%		1.3%	8.0%
Consolidated Edison	6.1%	2.0%	2.3%	2.8%	2.5%	3.4%	2.6%	8.7%
Constellation Energy	3.4%	6.7%	6.3%	8.8%		14.0%	8.4%	12.0%
Dominion Resources	5.4%	5.0%	7.0%	3.3%	7.7%	4.9%	5.8%	11.3%
DPL Inc	4.8%	7.3%	12.9%	3.8%	5.7%	10.0%	7.8%	12.7%
DTE Energy	6.4%	1.9%	3.0%	0.8%	4.3%	1.5%	2.3%	8.7%
Duke Energy	6.4%	2.2%	1.2%		2.3%	3.2%	2.2%	8.7%
Exelon Corp	4.3%	12.7%	11.0%	10.8%	7.0%	4.9%	9.0%	13.3%
FirstEnergy	5.4%	6.3%	5.3%	7.3%	4.3%	5.0%	5.7%	11.1%
IDACORP	4.5%	2.8%	3.8%		4.0%	5.0%	3.8%	8.4%
NiSource	7.3%	1.9%	1.7%		1.2%	3.7%	2.1%	9.4%
OGE Energy	4.8%	5.2%	6.7%	6.2%	4.8%	4.8%	5.5%	10.2%
PPL Corp	4.6%	8.2%	7.3%	11.2%	7.0%	12.5%	9.4%	14.1%
Progress Energy	6.6%	1.2%	2.5%		3.0%	4.4%	2.8%	9.4%
Public Service Enterprise	4.3%	8.8%	9.7%	4.8%	7.5%	6.3%	6.8%	11.1%
Southern Co	5.7%	4.2%	3.3%	4.2%	4.5%	5.0%	4.3%	9.8%
TECO Energy	6.3%	2.7%	3.5%		3.8%	8.4%	4.6%	11.0%
Xcel Energy Inc	5.3%	3.9%	4.0%		4.7%	6.0%	4.8%	10.1%
Mean	5.4%	4.7%	5.1%	5.8%	4.4%	6.0%	5.0%	10.4%
Median	5.4%	4.2%	4.0%	4.8%	4.3%	5.0%	4.6%	10.1%
Composite Mean		10.1%	10.4%	11.1%	9.8%	11.4%	10.4%	
Composite Median		9.6%	9.4%	10.2%	9.7%	10.3%	10.0%	

Sources: Prior pages of this schedule
Note: Negative average values not considered

Sources: Prior pages of this schedule

COMPARISON COMPANIES
DIVIDEND YIELD

COMPANY	DPS	October 19 2009 Price	YIELD
Comparison Group - PUC Criteria			
Empire District Electric	$1 28	$18 50	6 9%
Hawaiian Electric Industries	$1.24	$18 64	6 7%
IDACORP	$1.20	$29 37	4 1%
NV Energy	$0 40	$11 61	3 4%
Northeast Utilities	$0 95	$23 94	4 0%
NSTAR	$1 50	$31 90	4 7%
Pinnacle West Capital	$2.10	$34 49	6 1%
Pepco Holdings, Inc	$1 08	$15 49	7 0%
Portland General	*$1 02*	*$20 36*	*5 0%*
SCANA Corp	$1 88	$35 68	5 3%
UIL Holdings	$1 73	$27 68	6 2%
Westar Energy	$1 20	$20 51	5 9%
Average			**5.3%**
Comparison Group - Parcell Criteria			
Avista	*$0 84*	*$20 92*	*4 0%*
Cleco Corp	$0 90	$25 76	3 5%
Empire District Electric	$1 28	$18 50	6 9%
Hawaiian Electric Industries	$1 24	$18 64	6 7%
IDACORP	$1 20	$29 37	4 1%
NSTAR	$1 50	$31 90	4 7%
Portland General	$1 02	$20 36	5 0%
Westar Energy, Inc	$1 20	$20 51	5 9%
Average			**5.1%**
S&P Integrated Electric Utilities			
ALLETE	$1.76	$34 76	5 1%
Alliant Energy	$1 50	$28 30	5 3%
Ameren Corp.	$1 54	$25 99	5 9%
American Electric Power	$1 64	$31 72	5 2%
Cleco	$0 90	$25 76	3 5%
CMS Energy	$0 50	$13 88	3 6%
DPL	$1.14	$26.29	4 3%
DTE Energy	$2.12	$31 62	6 7%
Edison International	$1 24	$33 39	3 7%
Empire District Electric	$1 28	$18 50	6 9%
Entergy	$3 00	$80 97	3 7%
FPL Group	$1 89	$54 70	3 5%
Hawaiian Electric Industries	$1.24	$18 64	6 7%
IDACORP	$1.20	$29 37	4 1%
MGE Energy	$1.45	$36 68	3 9%
Northeast Utilities	$0 95	$23 94	4 0%
PG&E	$1.68	$43 09	3 9%
Pinnacle West Capital	$2 10	$34 49	6 1%
PNM Resources	$0 50	$12 50	4 0%
Portland General	$1 02	$20 36	5 0%
Progress Energy	$2 48	$39 03	6 4%
Southern Company	$1 75	$33 27	5 3%
TECO Energy	$0 80	$14 61	5 5%
Unisource Energy	$1.16	$29 55	3 9%
Westar Energy	$1 20	$20 51	5 9%
Wisconsin Energy	$1 35	$45 32	3 0%
Xcel Energy Inc	$0 98	$19 84	4 9%
Average			**4 8%**
Moody's Electric Utilities			
American Electric Power	$1 64	$31 72	5 2%
CH Energy	$2 16	$44 41	4 9%
Consolidated Edison	$2 36	$41 88	5 6%
Constellation Energy	$0 96	$33 41	2 9%
Dominion Resources	$1.75	$35.11	5 0%
DPL Inc	$1.14	$26 29	4 3%
DTE Energy	$2.12	$31 62	6 7%
Duke Energy	$0 92	$15 98	5 8%
Exelon Corp	$2.10	$50 96	4 1%
Firstenergy	$2.20	$47.34	4 6%
IDACORP	$1.20	$29 37	4 1%
NiSource	*$0 92*	*$13 88*	*6 6%*
OGE Energy	$1 42	$34 38	4 1%
PPL Corp	$1 38	$30 86	4 5%
Progress Energy	$2 48	$39 03	6 4%
Public Service Enterprise	$1 33	$31 66	4 2%
Southern Co	$1 75	$33 27	5 3%
TECO Energy	$0 80	$14 61	5 5%
Xcel Energy Inc	$0 98	$19 84	4 9%
Average			**5.0%**

Source Yahoo! Finance

COMPARISON COMPANIES
DCF COST RATES

COMPANY	ADJUSTED YIELD	HISTORIC RETENTION GROWTH	PROSPECTIVE RETENTION GROWTH	HISTORIC PER SHARE GROWTH	PROSPECTIVE PER SHARE GROWTH	FIRST CALL EPS GROWTH	AVERAGE GROWTH	DCF RATES
Comparison Group - PUC Criteria								
Empire District Electric	7.0%	0.2%	1.8%	1.7%	3.2%	6.0%	2.6%	9.6%
Hawaiian Electric Industries	6.7%	0.0%	1.3%		3.0%	3.0%	2.1%	8.8%
IDACORP	4.2%	2.8%	3.8%		4.0%	5.0%	3.9%	8.1%
NV Energy	3.9%	5.9%	3.7%		4.0%	10.0%	5.7%	9.6%
Northeast Utilities	4.1%	2.8%	4.3%	4.3%	8.9%	8.5%	5.7%	9.4%
NSTAR	4.8%	4.8%	5.3%	5.8%	6.3%	5.5%	5.4%	10.2%
Pinnacle West Capital	6.2%	1.9%	1.8%	2.3%	1.7%	5.9%	2.8%	8.8%
Pepco Holdings Inc	7.1%	2.8%	2.0%	5.7%	2.8%	5.5%	3.5%	10.8%
Portland General	5.1%	4.9%	3.0%		3.8%	7.4%	4.8%	9.9%
SCANA Corp	5.4%	4.8%	3.7%	4.7%	4.8%	4.5%	4.3%	9.7%
UIL Holdings	6.3%	0.8%	1.7%		1.8%	4.4%	2.2%	8.5%
Westar Energy	6.0%	3.7%	2.8%	7.3%	5.0%	8.3%	4.4%	10.4%
Mean	5.3%	2.9%	2.8%	4.5%	3.8%	5.7%	3.8%	9.4%
Median	5.7%	2.7%	2.8%	4.7%	3.8%	5.5%	4.1%	9.5%
Mean Composite		8.8%	8.5%	10.0%	9.3%	11.3%	9.4%	
Median Composite		8.4%	8.8%	10.3%	9.8%	11.3%	9.8%	
Comparison Group - Parcell Criteria								
Avista	4.1%	2.8%	3.3%	4.0%	7.0%	8.7%	5.1%	9.2%
Cleco Corp	3.8%	3.8%	4.3%	3.3%	6.0%	12.5%	6.4%	10.0%
Empire District Electric	7.0%	0.2%	1.8%	1.7%	3.2%	6.0%	2.6%	9.6%
Hawaiian Electric Industries	6.7%	0.0%	1.3%		3.0%	3.0%	2.1%	8.8%
IDACORP	4.2%	2.8%	3.8%		4.0%	5.0%	3.8%	8.1%
NSTAR	4.8%	4.8%	5.3%	5.8%	6.3%	5.5%	5.4%	10.2%
Portland General	5.1%	4.9%	3.8%		3.8%	7.4%	4.8%	9.9%
Westar Energy Inc	6.0%	3.7%	2.8%	7.3%	5.0%	3.3%	4.4%	10.4%
Mean	5.2%	3.0%	3.3%	4.3%	5.0%	6.4%	4.3%	9.5%
Median	5.0%	3.2%	3.2%	4.0%	4.3%	5.8%	4.6%	9.7%
Mean Composite		8.1%	8.4%	8.5%	10.3%	11.8%	9.3%	
Median Composite		8.2%	8.1%	9.0%	8.5%	10.7%	9.8%	
S&P Integrated Electric Utilities								
ALLETE	5.2%	4.9%	1.9%		1.7%	6.0%	3.5%	8.7%
Alliant Energy	5.4%	5.1%	2.2%	1.7%	5.2%	6.0%	3.7%	9.1%
Ameren Corp	6.0%	1.0%	3.3%	1.2%		3.0%	2.1%	8.1%
American Electric Power	5.3%	5.4%	4.7%		3.7%	3.8%	4.4%	9.8%
Cleco	3.8%	3.8%	4.3%	3.3%	6.0%	12.5%	6.4%	10.0%
CMS Energy	3.8%	7.2%	6.3%		14.9%	6.7%	8.8%	12.7%
DPL	4.5%	7.3%	12.5%	3.8%	5.7%	10.0%	7.8%	12.4%
DTE Energy	6.8%	1.8%	3.0%	0.8%	4.3%	1.5%	2.3%	9.1%
Edison International	3.8%	8.0%	6.9%	14.0%	4.7%	3.0%	7.2%	11.1%
Empire District Electric	7.0%	0.2%	1.6%	1.7%	3.2%	6.0%	2.6%	9.6%
Entergy	3.8%	7.2%	6.9%	8.8%	6.0%	8.8%	7.8%	11.7%
FPL Group	3.8%	8.1%	7.8%	8.2%	8.0%	9.7%	7.8%	11.9%
Hawaiian Electric Industries	6.7%	0.0%	1.3%		3.0%	3.0%	2.1%	8.8%
IDACORP	4.2%	2.8%	3.8%		4.0%	5.0%	3.8%	8.1%
MGE Energy	4.8%	2.2%	3.8%	3.0%	4.3%	5.0%	4.5%	8.8%
Northeast Utilities	4.1%	2.8%	4.3%	4.5%	8.9%	8.5%	5.7%	9.4%
PG&E	4.1%	7.9%	5.7%	16.0%	7.8%	6.0%	9.0%	13.1%
Pinnacle West Capital	6.2%	1.9%	1.8%	2.3%	1.7%	5.9%	2.8%	8.8%
PNM Resources	4.1%	2.9%	2.0%		4.3%		2.9%	7.0%
Portland General	5.1%	4.9%	3.0%		3.8%	7.4%	4.8%	9.9%
Progress Energy	6.4%	1.3%	2.5%		3.0%	4.4%	2.8%	9.2%
Southern Company	5.4%	4.2%	3.5%	4.7%	4.5%	5.0%	4.3%	9.6%
TECO Energy	5.8%	2.7%	3.9%		3.8%	8.4%	4.8%	10.3%
Unisource Energy	4.1%	3.5%	6.2%	5.8%	11.9%	5.0%	6.4%	10.3%
Westar Energy	6.0%	3.7%	2.8%	7.3%	5.0%	3.3%	4.4%	10.4%
Wisconsin Energy	3.1%	6.7%	6.3%	6.0%	9.2%	9.0%	7.5%	10.5%
Xcel Energy Inc	5.1%	3.5%	4.0%		4.7%	6.8%	4.8%	9.8%
Mean	4.9%	4.1%	4.4%	5.7%	5.4%	6.1%	5.0%	9.9%
Median	5.1%	3.6%	3.8%	4.5%	4.6%	5.8%	4.5%	9.8%
Composite Mean		8.8%	9.3%	10.6%	10.4%	11.0%	9.9%	
Composite Median		8.7%	8.8%	9.6%	9.6%	10.8%	9.8%	
Moody's Electric Utilities								
American Electric Power	5.3%	5.4%	4.7%		3.7%	3.8%	4.4%	9.8%
CH Energy	4.9%	1.4%	1.2%		1.5%		1.3%	6.2%
Consolidated Edison	5.7%	2.8%	2.5%	2.0%	2.5%	3.4%	2.6%	8.3%
Constellation Energy	3.0%	6.7%	6.3%	8.8%		14.0%	9.4%	12.4%
Dominion Resources	5.1%	5.0%	7.0%	3.3%	7.7%	6.9%	5.9%	11.0%
DPL Inc	4.5%	7.3%	12.5%	3.8%	5.7%	10.0%	7.9%	12.4%
DTE Energy	6.8%	1.8%	3.0%	0.8%	4.3%	1.5%	2.3%	9.1%
Duke Energy	5.8%	2.2%	1.2%		2.3%	3.2%	2.2%	8.0%
Exelon Corp	4.3%	12.7%	11.0%	10.0%	7.0%	4.9%	9.0%	13.3%
FirstEnergy	4.0%	6.5%	5.9%	7.3%	4.3%	5.0%	5.7%	10.0%
IDACORP	4.2%	2.8%	3.8%		4.0%	6.0%	3.8%	8.1%
NiSource	6.7%	1.8%	1.7%		1.2%	3.7%	2.1%	8.8%
OGE Energy	4.3%	5.2%	5.7%	6.2%	4.8%	4.8%	5.3%	9.6%
PPL Corp	4.7%	9.2%	7.3%	11.7%	7.0%	12.5%	9.4%	14.1%
Progress Energy	6.4%	1.3%	2.5%		3.0%	4.4%	2.8%	9.2%
Public Service Enterprise	4.4%	6.9%	8.7%	4.8%	7.5%	6.3%	6.8%	11.2%
Southern Co	5.4%	4.2%	3.5%	4.2%	4.5%	6.8%	4.3%	9.6%
TECO Energy	5.8%	2.7%	3.5%		3.8%	8.4%	4.8%	10.2%
Xcel Energy Inc	5.1%	3.5%	4.0%		4.7%	6.8%	4.8%	9.8%
Mean	5.1%	4.7%	5.1%	5.8%	4.4%	6.0%	5.0%	10.1%
Median	5.1%	4.2%	4.0%	4.8%	4.3%	5.0%	4.8%	9.8%
Composite Mean		8.8%	10.2%	10.8%	8.8%	11.1%	10.1%	
Composite Median		9.2%	9.1%	9.8%	9.4%	10.8%	9.7%	

Sources: Prior pages of this schedule
Note: Negative average values not considered

Sources: Prior pages of this schedule

COMPARISON COMPANIES
CAPM COST RATES

COMPANY	RISK-FREE RATE	BETA	MARKET PREMIUM	CAPM RATES
Comparison Group - PUC Criteria				
Empire District Electric	4.28%	0.75	5.32%	8.3%
Hawaiian Electric Industries	4.28%	0.70	5.32%	8.0%
IDACORP	4.28%	0.70	5.32%	8.0%
NV Energy	4.28%	0.95	5.32%	9.3%
Northeast Utilities	*4.28%*	*0.70*	5.32%	*8.0%*
NSTAR	4.28%	0.65	5.32%	7.7%
Pinnacle West Capital	4.28%	0.75	5.32%	8.3%
Pepco Holdings, Inc	4.28%	0.80	5.32%	8.5%
Portland General	4.28%	0.75	5.32%	8.3%
SCANA Corp	4.28%	0.65	5.32%	7.7%
UIL Holdings	4.28%	0.70	5.32%	8.0%
Westar Energy	4.28%	0.75	5.32%	8.3%
Average				8.2%
Median				8.1%
Comparison Group - Parcell Criteria				
Avista	4.28%	0.70	5.32%	8.0%
Cleco Corp	4.28%	0.65	5.32%	7.7%
Empire District Electric	4.28%	0.75	5.32%	8.3%
Hawaiian Electric Industries	4.28%	0.70	5.32%	8.0%
IDACORP	4.28%	0.70	5.32%	8.0%
NSTAR	4.28%	0.65	5.32%	7.7%
Portland General	4.28%	0.75	5.32%	8.3%
Westar Energy, Inc	4.28%	0.75	5.32%	8.3%
Mean				8.0%
Median				8.0%
S&P Integrated Electric Utilities				
ALLETE	4.28%	0.70	5.32%	8.0%
Alliant Energy	4.28%	0.70	5.32%	8.0%
Ameren Corp.	4.28%	0.80	5.32%	8.5%
American Electric Power	4.28%	0.70	5.32%	8.0%
Cleco	4.28%	0.65	5.32%	7.7%
CMS Energy	4.28%	0.80	5.32%	8.5%
DPL	4.28%	0.60	5.32%	7.5%
DTE Energy	4.28%	0.75	5.32%	8.3%
Edison International	4.28%	0.80	5.32%	8.5%
Empire District Electric	4.28%	0.75	5.32%	8.3%
Entergy	4.28%	0.70	5.32%	8.0%
FPL Group	4.28%	0.75	5.32%	8.3%
Hawaiian Electric Industries	4.28%	0.70	5.32%	8.0%
IDACORP	4.28%	0.70	5.32%	8.0%
MGE Energy	4.28%	0.65	5.32%	7.7%
Northeast Utilities	4.28%	0.70	5.32%	8.0%
PG&E	4.28%	0.55	5.32%	7.2%
Pinnacle West Capital	4.28%	0.75	5.32%	8.3%
PNM Resources	4.28%	0.95	5.32%	9.3%
Portland General	4.28%	0.75	5.32%	8.3%
Progress Energy	4.28%	0.65	5.32%	7.7%
Southern Company	4.28%	0.55	5.32%	7.2%
TECO Energy	4.28%	0.85	5.32%	8.8%
Unisource Energy	4.28%	0.70	5.32%	8.0%
Westar Energy	4.28%	0.75	5.32%	8.3%
Wisconsin Energy	4.28%	0.65	5.32%	7.7%
Xcel Energy Inc	4.28%	0.65	5.32%	7.7%
Average				8.1%
Median				8.0%
Moody's Electric Utilities				
American Electric Power	4.28%	0.70	5.32%	8.0%
CH Energy	4.28%	0.65	5.32%	7.7%
Consolidated Edison	4.28%	0.65	5.32%	7.7%
Constellation Energy	4.28%	0.80	5.32%	8.5%
Dominion Resources	4.28%	0.70	5.32%	8.0%
DPL Inc	4.28%	0.60	5.32%	7.5%
DTE Energy	4.28%	0.75	5.32%	8.3%
Duke Energy	4.28%		5.32%	
Exelon Corp	4.28%	0.85	5.32%	8.8%
Firstenergy	4.28%	0.80	5.32%	8.5%
IDACORP	4.28%	0.70	5.32%	8.0%
NiSource	4.28%	0.85	5.32%	8.8%
OGE Energy	4.28%	0.75	5.32%	8.3%
PPL Corp	4.28%	0.70	5.32%	8.0%
Progress Energy	4.28%	0.65	5.32%	7.7%
Public Service Enterprise	4.28%	0.80	5.32%	8.5%
Southern Co	4.28%	0.55	5.32%	7.2%
TECO Energy	4.28%	0.85	5.32%	8.8%
Xcel Energy Inc	4.28%	0.65	5.32%	7.7%
Average				8.1%
Median				8.0%

COMPARISON COMPANIES
CAPM COST RATES
USING IBBOTSON RISK PREMIUM

COMPANY	RISK-FREE RATE	BETA	MARKET PREMIUM	CAPM RATES
Comparison Group - PUC Criteria				
Empire District Electric	4.28%	0.75	5.60%	8.5%
Hawaiian Electric Industries	4.28%	0.70	5.60%	8.2%
IDACORP	4.28%	0.70	5.60%	8.2%
NV Energy	4.28%	0.95	5.60%	9.6%
Northeast Utilities	4.28%	0.70	5.60%	8.2%
NSTAR	4.28%	0.65	5.60%	7.9%
Pinnacle West Capital	4.28%	0.75	5.60%	8.5%
Pepco Holdings, Inc	4.28%	0.80	5.60%	8.8%
Portland General	4.28%	0.75	5.60%	8.5%
SCANA Corp	4.28%	0.65	5.60%	7.9%
UIL Holdings	4.28%	0.70	5.60%	8.2%
Westar Energy	4.28%	0.75	5.60%	8.5%
Average				8.4%
Median				8.3%
Comparison Group - Parcell Criteria				
Avista	4.28%	0.70	5.60%	8.2%
Cleco Corp	4.28%	0.65	5.60%	7.9%
Empire District Electric	4.28%	0.75	5.60%	8.5%
Hawaiian Electric Industries	4.28%	0.70	5.60%	8.2%
IDACORP	4.28%	0.70	5.60%	8.2%
NSTAR	4.28%	0.65	5.60%	7.9%
Portland General	4.28%	0.75	5.60%	8.5%
Westar Energy, Inc	4.28%	0.75	5.60%	8.5%
Mean				8.2%
Median				8.2%
S&P Integrated Electric Utilities				
ALLETE	4.28%	0.70	5.60%	8.2%
Alliant Energy	4.28%	0.70	5.60%	8.2%
Ameren Corp	4.28%	0.80	5.60%	8.8%
American Electric Power	4.28%	0.70	5.60%	8.2%
Cleco	4.28%	0.65	5.60%	7.9%
CMS Energy	4.28%	0.80	5.60%	8.8%
DPL	4.28%	0.60	5.60%	7.6%
DTE Energy	4.28%	0.75	5.60%	8.5%
Edison International	4.28%	0.80	5.60%	8.8%
Empire District Electric	4.28%	0.75	5.60%	8.5%
Entergy	4.28%	0.70	5.60%	8.2%
FPL Group	4.28%	0.75	5.60%	8.5%
Hawaiian Electric Industries	4.28%	0.70	5.60%	8.2%
IDACORP	4.28%	0.70	5.60%	8.2%
MGE Energy	4.28%	0.65	5.60%	7.9%
Northeast Utilities	4.28%	0.70	5.60%	8.2%
PG&E	4.28%	0.55	5.60%	7.4%
Pinnacle West Capital	4.28%	0.75	5.60%	8.5%
PNM Resources	4.28%	0.95	5.60%	9.6%
Portland General	4.28%	0.75	5.60%	8.5%
Progress Energy	4.28%	0.65	5.60%	7.9%
Southern Company	4.28%	0.55	5.60%	7.4%
TECO Energy	4.28%	0.85	5.60%	9.0%
Unisource Energy	4.28%	0.70	5.60%	8.2%
Westar Energy	4.28%	0.75	5.60%	8.5%
Wisconsin Energy	4.28%	0.65	5.60%	7.9%
Xcel Energy Inc	4.28%	0.65	5.60%	7.9%
Average				8.3%
Median				8.2%
Moody's Electric Utilities				
American Electric Power	4.28%	0.70	5.60%	8.2%
CH Energy	4.28%	0.65	5.60%	7.9%
Consolidated Edison	4.28%	0.65	5.60%	7.9%
Constellation Energy	4.28%	0.80	5.60%	8.8%
Dominion Resources	4.28%	0.70	5.60%	8.2%
DPL Inc	4.28%	0.60	5.60%	7.6%
DTE Energy	4.28%	0.75	5.60%	8.5%
Duke Energy	4.28%		5.60%	
Exelon Corp	4.28%	0.85	5.60%	9.0%
Firstenergy	4.28%	0.80	5.60%	8.8%
IDACORP	4.28%	0.70	5.60%	8.2%
NiSource	4.28%	0.85	5.60%	9.0%
OGE Energy	4.28%	0.75	5.60%	8.5%
PPL Corp	4.28%	0.70	5.60%	8.2%
Progress Energy	4.28%	0.65	5.60%	7.9%
Public Service Enterprise	4.28%	0.80	5.60%	8.8%
Southern Co	4.28%	0.55	5.60%	7.4%
TECO Energy	4.28%	0.85	5.60%	9.0%
Xcel Energy Inc	4.28%	0.65	5.60%	7.9%
Average				8.3%
Median				8.2%

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Update 2

COMPARISON COMPANIES
RATES OF RETURN ON AVERAGE COMMON EQUITY

Company	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1992-2001 Average	2002-2008 Average	2009	2010	2012-2014
Comparison Group - PUC Criteria																						
Empire District Electric	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawaiian Electric Industries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IDACORP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NV Energy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Northeast Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSTAR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pinnacle West Capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepco Holdings, Inc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portland General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SCANA Corp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UIL Holdings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Westar Energy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mean	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Median	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comparison Group - [illegible] Criteria																						
Avista	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cleco Corp	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Empire District Electric	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawaiian Electric Industries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IDACORP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NSTAR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portland General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]										[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Westar Energy Inc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mean	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Median	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S&P Integrated Electric Utilities																						
[illegible rows]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mean	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Median	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Moody's Electric Utilities																						
[illegible rows]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mean	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Median	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Computations made from data contained in Value Line Investment Survey

COMPARISON COMPANIES
MARKET TO BOOK RATIOS

Company	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1992-2001 Average	2002-2008 Average
Comparison Group - PUC Criteria																			
Empire District Electric	184%	178%	143%	142%	143%	138%	168%	177%	183%	162%	132%	133%	144%	148%	149%	150%	118%	162%	139%
Hawaiian Electric Industries	171%	154%	141%	149%	147%	147%	154%	132%	127%	145%	153%	151%	179%	181%	192%	166%	164%	147%	169%
IDACORP	155%	172%	140%	148%	168%	177%	177%	158%	169%	165%	134%	112%	125%	122%	139%	132%	104%	168%	124%
NV Energy	148%	165%	133%	130%	131%	143%	147%	123%	87%	82%	72%	41%	68%	106%	138%	137%	91%	129%	93%
Northeast Utilities	154%	149%	127%	124%	95%	64%	91%	113%	136%	129%	99%	95%	106%	108%	131%	163%	128%	118%	119%
NSTAR	138%	154%	130%	130%	125%	146%	181%	166%	161%	161%	170%	175%	189%	202%	214%	222%	201%	149%	196%
Pinnacle West Capital	116%	125%	99%	116%	133%	152%	180%	143%	145%	154%	116%	114%	130%	130%	129%	127%	87%	136%	120%
Pepco Holdings, Inc	160%	162%	135%	138%	161%	151%	161%	166%	139%	124%	110%	103%	109%	122%	129%	141%	110%	150%	116%
Portland General	115%	125%	112%	140%	199%										153%	140%	101%	138%	131%
SCANA Corp	161%	168%	157%	166%	175%	164%	195%	145%	134%	135%	137%	158%	171%	179%	167%	158%	141%	160%	159%
UIL Holdings	123%	157%	127%	123%	114%	111%	151%	144%	141%	139%	126%	113%	133%	135%	174%	187%	167%	133%	148%
Westar Energy	144%	152%	130%	129%	126%	131%	128%	89%	74%	78%	67%	109%	132%	142%	139%	140%	106%	118%	119%
Mean	147%	155%	132%	136%	143%	139%	158%	141%	138%	136%	120%	119%	135%	143%	154%	155%	127%	142%	136%
Median	151%	156%	132%	134%	138%	146%	161%	144%	139%	139%	126%	113%	132%	135%	144%	146%	114%	144%	130%
Comparison Group - Parcell Criteria																			
Avista	151%	163%	133%	125%	145%	162%	163%	152%	317%	114%	85%	94%	111%	115%	135%	127%	110%	163%	111%
Cleco Corp	177%	175%	150%	162%	166%	171%	183%	172%	223%	224%	154%	134%	177%	177%	162%	162%	133%	181%	157%
Empire District Electric	184%	178%	143%	142%	143%	138%	168%	177%	183%	162%	132%	133%	144%	148%	149%	150%	118%	162%	139%
Hawaiian Electric Industries	171%	154%	141%	149%	147%	147%	154%	132%	127%	145%	153%	151%	179%	181%	192%	166%	164%	147%	169%
IDACORP	155%	172%	140%	148%	168%	177%	177%	158%	169%	165%	134%	112%	125%	122%	139%	132%	104%	168%	124%
NSTAR	138%	154%	130%	130%	125%	146%	181%	166%	161%	161%	170%	175%	189%	202%	214%	222%	201%	149%	196%
Portland General	115%	125%	112%	140%	199%										153%	140%	101%	138%	131%
Westar Energy Inc	144%	152%	130%	129%	126%	131%	128%	89%	74%	78%	67%	109%	132%	142%	139%	140%	106%	118%	119%
Mean	154%	159%	138%	141%	153%	153%	165%	149%	182%	153%	128%	130%	151%	155%	160%	155%	130%	153%	143%
Median	153%	158%	137%	141%	146%	147%	168%	158%	183%	161%	134%	133%	144%	148%	151%	145%	114%	155%	138%
S&P Integrated Electric Utilities																			
ALLETE														212%	219%	195%	156%		196%
Alliant Energy	190%	185%	154%	152%	154%	155%	156%	120%	120%	129%	110%	97%	120%	131%	155%	173%	131%	152%	131%
Ameren Corp	169%	188%	160%	170%	175%	174%	180%	167%	163%	173%	163%	162%	161%	172%	164%	158%	125%	172%	158%
American Electric Power	143%	158%	143%	156%	176%	187%	191%	154%	147%	179%	138%	124%	155%	165%	161%	180%	145%	164%	154%
Cleco	177%	175%	150%	162%	168%	171%	183%	172%	223%	224%	154%	134%	177%	177%	162%	162%	133%	181%	157%
CMS Energy	168%	223%	185%	182%	181%	200%	221%	189%	119%	152%	137%	80%	90%	125%	142%	175%	128%	182%	125%
DPL	177%	206%	198%	213%	214%	221%	231%	215%	314%	422%	322%	241%	272%	318%	373%	415%	298%	241%	320%
DTE Energy	162%	154%	120%	130%	137%	128%	165%	145%	126%	142%	145%	142%	132%	140%	134%	143%	101%	141%	134%
Edison International	167%	172%	122%	118%	120%	158%	192%	173%	197%	128%	117%	108%	153%	205%	194%	208%	154%	155%	163%
Empire District Electric	184%	178%	143%	142%	143%	138%	168%	177%	183%	162%	132%	133%	144%	148%	149%	150%	118%	162%	139%
Entergy	124%	137%	104%	88%	97%	95%	99%	98%	99%	118%	114%	136%	156%	194%	211%	264%	226%	108%	186%
FPL Group	173%	180%	151%	175%	184%	198%	234%	177%	177%	188%	160%	167%	174%	201%	203%	249%	199%	184%	193%
Hawaiian Electric Industries	171%	154%	141%	149%	147%	147%	154%	132%	127%	145%	153%	151%	179%	181%	182%	166%	164%	147%	169%
IDACORP	155%	172%	140%	148%	168%	177%	177%	158%	169%	185%	134%	112%	125%	122%	139%	132%	104%	168%	124%
MGE Energy	189%	198%	189%	183%	203%	169%	197%	177%	172%	197%	214%	223%	207%	207%	191%	178%	160%	189%	197%
Northeast Utilities	154%	149%	127%	124%	95%	64%	91%	113%	136%	129%	99%	95%	106%	108%	131%	163%	128%	118%	119%
PG&E	168%	175%	142%	134%	115%	123%	152%	135%	179%	138%	149%	203%	198%	179%	201%	203%	144%	146%	182%
Pinnacle West Capital	116%	125%	99%	116%	133%	152%	180%	143%	145%	154%	116%	114%	130%	130%	129%	127%	97%	136%	120%
PNM Resources	72%	84%	87%	95%	108%	106%	106%	85%	84%	123%	95%	93%	124%	147%	134%	125%	67%	96%	112%
Portland General	115%	125%	112%	140%	199%										153%	140%	101%	138%	131%
Progress Energy	171%	192%	159%	181%	209%	207%	233%	189%	163%	184%	152%	145%	144%	137%	140%	148%	125%	187%	142%
Southern Company	154%	180%	161%	174%	176%	167%	198%	186%	188%	208%	230%	233%	227%	238%	229%	230%	211%	179%	228%
TECO Energy	243%	268%	224%	238%	241%	234%	247%	210%	223%	222%	135%	111%	174%	243%	202%	188%	174%	235%	175%
Unisource Energy	NMF	NMF	NMF	NMF	NMF	295%	217%	136%	143%	167%	134%	141%	145%	171%	185%	177%	144%	192%	157%
Westar Energy	144%	152%	130%	129%	126%	131%	128%	89%	74%	78%	67%	109%	132%	142%	139%	140%	106%	118%	119%
Wisconsin Energy	178%	177%	160%	172%	169%	154%	185%	152%	119%	126%	129%	147%	155%	168%	183%	178%	154%	159%	159%
Xcel Energy Inc	164%	165%	154%	159%	162%	165%	176%	144%	141%	163%	113%	113%	132%	139%	150%	154%	127%	158%	133%
Mean	161%	171%	147%	153%	160%	165%	178%	154%	158%	169%	144%	141%	156%	173%	176%	163%	145%	182%	160%
Median	168%	175%	146%	152%	166%	165%	180%	154%	147%	162%	135%	134%	153%	168%	167%	170%	132%	182%	150%

CA-413
Docket No. 2008-0083
Update 2

RISK INDICATORS

GROUP	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FIN STR	S & P STK RANK
S & P's 500 Composite	2.7	1.05	B++	B+
Comparison Group - PUC Criteria	2.5	0.74	B+	B
Comparison Group - Parcell Criteria	2.5	0.71	B++	B+
S&P Integrated	2.4	0.71	B++	B
Moody's Electric Utilities	2.3	0.72	B++	B+
Hawaiian Electric Industries	3.0	0.70	B+	B+

Sources: Value Line Investment Survey, Standard & Poor's Stock Guide.

Definitions:

Safety rankings are in a range of 1 to 5, with 1 representing the highest safety or lowest risk.

Beta reflects the variability of a particular stock, relative to the market as a whole. A stock with a beta of 1.0 moves in concert with the market, a stock with a beta below 1.0 is less variable than the market, and a stock with a beta above 1.0 is more variable than the market.

Financial strengths range from C to A++, with the latter representing the highest level.

Common stock rankings range from D to A+, with the latter representing the highest level.

CA-418

COMPARISON OF DCF AND CAPM ANALYSES OF CONSUMER ADVOCATE WITNESS PARCELL AS SHOWN IN DIRECT TESTIMONY AND UPDATED TO CONFORM WITH CRITICISM OF HECO WITNESS MORIN AS DESCRIBED IN HIS REBUTTAL TESTIMONY

	DCF Analyses					CAPM Analyses					
	Direct CA-408 Page 4 1/	Update CA-408 Page 4 2/	Update 2 CA-408 Page 4 4/	Modified CA-408 Page 4 3/	Modified 2 CA-408 Page 4 5/	Direct CA-410 Page1 1/	Update CA-410 Page 1 6/	Update 2 CA-410 Page 1 7/	Direct CA-410 Page2 1/	Update CA-410 Page 2 6/	Update 2 CA-410 Page 2 7/
PUC Proxy Group											
Mean	10.1%	10.5%	9.8%	9.8%	9.4%	7.4%	8.0%	8.2%	7.6%	8.0%	8.4%
Median	10.3%	10.5%	9.7%	9.7%	9.5%	7.2%	7.9%	8.1%	7.4%	7.9%	8.3%
Mean Low	8.8%	9.4%	8.8%	8.8%	8.5%						
Mean High	12.1%	12.6%	11.6%	11.6%	11.3%						
Median Low	8.7%	9.3%	8.6%	8.6%	8.4%						
Median High	11.1%	12.2%	11.4%	11.4%	11.2%						
Parcell Proxy Group											
Mean	10.0%	10.5%	9.8%	10.1%	9.5%	7.4%	7.9%	8.0%	7.6%	7.9%	8.2%
Median	10.2%	10.5%	10.0%	10.5%	9.7%	7.3%	7.9%	8.0%	7.6%	7.9%	8.2%
Mean Low	8.4%	9.4%	8.4%	8.6%	8.1%						
Mean High	12.5%	12.6%	11.9%	12.0%	11.6%						
Median Low	8.3%	9.3%	8.3%	8.4%	8.1%						
Median High	10.8%	12.2%	10.9%	11.1%	10.7%						
S&P Integrated Group											
Mean	10.7%	10.7%	10.1%	10.5%	9.9%	7.4%	7.9%	8.1%	7.6%	7.9%	8.3%
Median	10.5%	10.7%	9.9%	10.1%	9.6%	7.5%	7.9%	8.0%	7.7%	7.9%	8.2%
Mean Low	9.6%	9.6%	9.2%	9.4%	9.0%						
Mean High	12.4%	12.0%	11.2%	11.9%	11.0%						
Median Low	8.9%	9.1%	8.9%	9.1%	8.7%						
Median High	11.4%	11.7%	11.1%	11.6%	10.8%						
Moody's Electric Utilities											
Mean	11.0%	10.9%	10.4%	10.6%	10.1%	7.3%	8.0%	8.1%	7.5%	8.0%	8.3%
Median	11.2%	10.5%	10.1%	10.1%	9.6%	7.2%	8.0%	8.0%	7.4%	8.0%	8.2%
Mean Low	10.5%	10.5%	9.8%	10.2%	9.9%						
Mean High	12.5%	12.1%	11.4%	11.8%	11.1%						
Median Low	9.6%	9.8%	9.4%	9.6%	9.1%						
Median High	11.4%	11.5%	10.3%	11.2%	10.0%						

1/ As contained in CA-T-4, Direct Testimony of David C. Parcell.

2/ Updated using average stock prices for three-month period April - June, 2009, most recent issues of Value Line, and end-of-June, 2009 analysts' forecasts of EPS.

3/ "Modified" to use spot stock prices as of July 6, 2009, to conform with yield procudure used by HECO witness Morin. Also used most recent issues of Value Line and end-of-June, 2009 analysts' forecasts of EPS

4/ Updated using average stock prices for three-month period July - September, 2009, most recent issues of Value Line, and mid-October, 2009 analysts' forecasts of EPS.

5/ "Modified to use spot stock prices as of October 19, 2009, to conform with yield procedure used by HECO witness Morin. Also used most recent issues of Value Line and mid-October, 2009 analysts' forecasts of EPS.

6/ Updated using 20-year U.S Treasury bond yields for three-month period April - June, 2009 and most recent issues of Value Line for betas.

7/ Updated using 20-year U.S. Treasury bond yields for three-mongh period July - September, 2009 and most recent issues of Value Line for betas.

Company	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FINANCIAL STRENGTH		S& P STOCK RANKING	
Comparison Group - PUC Criteria						
Empire District Electric	3	0.75	B+	3.33	B+	3.33
Hawaiian Electric Industries	3	0.70	B+	3.33	B+	3.33
IDACORP	3	0.70	B+	3.33	B	3.00
NV Energy	3	0.95	B	3.00	B	3.00
Northeast Utilities	3	0.70	B+	3.33	B	3.00
NSTAR	1	0.65	A	4.00	A-	3.67
Pinnacle West Capital	3	0.75	B+	3.33	B	3.00
Pepco Holdings, Inc.	3	0.80	B	3.00	B	3.00
Portland General	2	0.75	B++	3.67	NR	
SCANA Corp	2	0.65	A	4.00	B	3.00
UIL Holdings	2	0.70	B++	3.67	B	3.00
Westar Energy	2	0.75	B++	3.67	B	3.00
Average	2.5	0.74	B+	3.47	B	3.12
Comparison Group - Parcell Criteria						
Avista	3	0.70	B+	3.33	B+	3.33
Cleco Corp	3	0.65	B+	3.33	B	3.00
Empire District Electric	3	0.75	B+	3.33	B+	3.33
Hawaiian Electric Industries	3	0.70	B+	3.33	B+	3.33
IDACORP	3	0.70	B+	3.33	B	3.00
NSTAR	1	0.65	A	4.00	A-	3.67
Portland General	2	0.75	B++	3.67	NR	
Westar Energy, Inc	2	0.75	B++	3.67	B	3.00
Average	2.5	0.71	B++	3.50	B+	3.24
S&P Integrated Electric Utilities						
ALLETE	2	0.70	A	4.00	B	3.00
Alliant Energy	2	0.70	A	4.00	B	3.00
Ameren Corp.	3	0.80	B++	3.67	B+	3.33
American Electric Power	3	0.70	B++	3.67	B	3.00
Cleco	3	0.65	B+	3.33	B	3.00
CMS Energy	3	0.80	B	3.00	B	2.00
DPL	3	0.60	B++	3.67	B+	3.33
DTE Energy	3	0.75	B+	3.33	B	3.00
Edison International	3	0.80	B++	3.67	B	3.00
Empire District Electric	3	0.75	B+	3.33	B+	3.33
Entergy	2	0.70	A	4.00	A	4.00
FPL Group	1	0.75	A+	4.33	A	4.00
Hawaiian Electric Industries	3	0.70	B+	3.33	B+	3.33
IDACORP	3	0.70	B+	3.33	B	3.00
MGE Energy	1	0.65	A	4.00	B+	3.33
Northeast Utilities	3	0.70	B+	3.33	B	3.00
PG&E	2	0.55	B++	3.67	B	3.00
Pinnacle West Capital	3	0.75	B+	3.33	B	3.00
PNM Resources	3	0.95	B	3.00	B	3.00
Portland General	2	0.75	B++	3.67	NR	
Progress Energy	2	0.65	B++	3.67	B	3.00
Southern Company	1	0.55	A	4.00	A-	3.67
TECO Energy	3	0.85	B	3.00	B	3.00
Unisource Eneregy	3	0.70	C++	2.67	B	3.00
Westar Energy	2	0.75	B++	3.67	B	3.00
Wisconsin Energy	2	0.65	B++	3.67	B+	3.33
Xcel Energy Inc.	2	0.65	B++	3.67	NR	3.00
Average	2.44	0.71	B++	3.56	B	3.14
Moody's Electric Utilities						
American Electric Power	3	0.70	B++	3.67	B	3.00
CH Energy	1	0.65	A	4.00	B+	3.33
Consolidated Edison	1	0.65	A+	4.33	B+	3.33
Constellation Energy	3	0.80	B+	3.33	B	3.00
Dominion Resources	2	0.70	B++	3.67	B+	3.33
DPL Inc	3	0.60	B++	3.67	B+	3.33
DTE Energy	3	0.75	B+	3.33	B	3.00
Duke Energy	2	0.65	A	4.00	B	3.00
Exelon Corp	1	0.85	A+	4.33	B+	3.33
Firstenergy	2	0.80	A	4.00	A-	3.67
IDACORP	3	0.70	B+	3.33	B	3.00
NiSource	3	0.85	B	3.00	B	3.00
OGE Energy	2	0.75	A	4.00	A-	3.67
PPL Corp	3	0.70	B++	3.67	B+	3.33
Progress Energy	2	0.65	B++	3.67	B	3.00
Public Service Enterprise	3	0.80	B++	3.67	B+	3.33
Southern Co	1	0.55	A	4.00	A-	3.67
TECO Energy	3	0.85	B	3.00	B	3.00
Xcel Energy Inc	2	0.65	B++	3.67	NR	3.00
Average	2.28	0.72	B++	3.70	B+	3.23

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S HEARING EXHIBITS** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

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DATED: Honolulu, Hawaii, October 22, 2009.

Desiree Hook